PARLIAMENTARY DEBATES

(HANSARD)

SIXTH SERIES—VOLUME 480 (Part 1)

HOUSE OF COMMONS

OFFICIAL REPORT

THIRD SESSION OF THE FIFTY-FOURTH PARLIAMENT
OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
FIFTY-SEVENTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SESSION 2007–2008

COMPRISING PERIOD
6 October 2008—17 October 2008

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THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

IN THE THIRD SESSION OF THE FIFTY-FOURTH PARLIAMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
[WHICH OPENED 11 MAY 2005]

FIFTY-SEVENTH YEAR OF THE REIGN OF
HER MAJESTY QUEEN ELIZABETH II

SIXTH SERIES **VOLUME 480**

FOURTEENTH VOLUME OF SESSION 2007-2008

House of Commons

Monday 6 October 2008

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

DEATH OF A MEMBER

2.34 pm

Mr. Speaker: I regret to have to report to the House the death of John William MacDougall, the Member for Glenrothes. I am sure that Members in all parts of the House will join me in mourning the loss of a colleague and in extending our sympathy to the hon. Member's family and friends.

Oral Answers to Questions

CULTURE, MEDIA AND SPORT

The Secretary of State was asked—

Sound Recordings (Copyright)

1. **Mr. James Gray** (North Wiltshire) (Con): What his policy is on the extension of copyright duration and terms affecting sound recordings; and if he will make a statement. [224370]

The Secretary of State for Culture, Media and Sport (Andy Burnham): Policy responsibility for intellectual property rests with the Department for Innovation, Universities and Skills. However, given my Department's responsibility for the music industry, these are issues in which we have a close interest. The Government are considering the European Commission proposal currently on the table in Brussels. Discussions are still continuing at a European level.

Mr. Gray: A band named Pendragon in my constituency tells me that when it recently produced a new DVD it sold 50 copies in the first week, but in that same week 3,000 copies were illegally downloaded. Does the Secretary of State not agree that he ought now to implement the recommendation made two years ago in the Gowers report that would take some steps towards stamping out illegal downloading, which is driving smaller bands and small labels in particular to the wall, and is it not also about time that he accepted the Select Committee recommendation that copyright should be extended to 90 years?

Andy Burnham: There are two issues in that supplementary question, the first of which is about illegal downloading. The hon. Gentleman will have seen that in the summer the Government facilitated a memorandum of understanding signed between the film and music industries and the major internet service providers, with general agreement to achieving a significant reduction in illegal downloading within two to three years. He is right to raise this issue, because it goes right to the heart of the success of the British music industry in the long term; there are still far too many tracks downloaded illegally, and we have to take firm action. I hope that he agrees that the Government have changed their tone on this issue and are signalling far more urgency.

The question of term involves complicated issues, and while the Commission has put forward its proposals, I think it is fair to say that no consensus has yet emerged around them. Here, our Select Committee proposed the idea of term extensions to 70 years, so there are different ideas and we need to see if we can find a way through and a compromise position. Again, I am looking very closely at all the issues that the hon. Gentleman raises.

Pete Wishart (Perth and North Perthshire) (SNP): The Secretary of State has consistently said that he wants to do something big for the music industry. Well,

here is his chance. He talks about consensus; all the stakeholders in the music industry, from the labels to the musicians, collection agencies and publishers, want an end to this unique and historic discrimination against musicians. The draft directive is on the table in Brussels. All the Secretary of State has to do is say yes and support it. Why will he not do that?

Andy Burnham: The memorandum that I mentioned a few moments ago is something significant for the music industry, because illegal downloading is seriously threatening its future. On the question of copyright term, I think it is fair to say that there is not quite the unanimity that the hon. Gentleman seems to suggest. There is still some debate about whether the Commission's proposals are the right ones. They take us a step further forward and they raise the question of benefits to performers, which is important, and which, from my Department's perspective, I am keen to pursue. However, I do not think this is quite as easy as he seems to make out.

Stephen Pound (Ealing, North) (Lab): May I say what a pleasure it is to see a young Evertonian at the Dispatch Box, as opposed to an old Etonian? On this subject, does my right hon. Friend know whether Mr. Steven Wonder, the author of "A man with a plan", is still receiving his loyalties at present? Finally, may I say that there is a great deal of confusion, and that while we seek illumination we seem to find caliginosity everywhere? Will the Secretary of State please undertake at some stage in the future to clarify this issue?

Andy Burnham: Well, I could do with some clarification myself, I think, after that question, but my hon. Friend is right that there is a need for clarification. These are complicated issues, which we are looking at very carefully. They raise strong feelings in the music industry, as the hon. Member for Perth and North Perthshire (Pete Wishart) mentioned. We are looking at them very carefully and we will come to a UK Government position very soon.

David Tredinnick (Bosworth) (Con): If I write to the Secretary of State, will he look at the issue of copyright extension as it affects the British Film Institute, which, as he knows, has the largest and most important film archive in the world? Will he, furthermore, congratulate the BFI on its 75th anniversary, and in particular "Screenonline" for schools, which has brought schools, through digital media, to so many of our educational institutions?

Andy Burnham: I am grateful to the hon. Gentleman for that question, and indeed I will congratulate the BFI. The scheme that he mentions is very worthy and valuable. Illegal downloading affects both the music industry and the film industry, although it has affected the music industry first, and the memorandum we signed affects both music and film. He also talked about copyright extension. These are issues that potentially have an impact on more than just the music industry, and we have to give careful consideration to rewarding people who have made content that is still very much in demand around the world while striking a fair balance for consumers who wish to get access to that content for the lowest possible price. These are complicated judgments. We have to come to the right decision, but I can assure the hon. Gentleman that I have the interests of the film and music industries very much at the forefront of my mind.

Elite Athletes

2. **Mrs. Sharon Hodgson** (Gateshead, East and Washington, West) (Lab): What steps he plans to take to aid the identification and development of elite athletes. [224372]

The Secretary of State for Culture, Media and Sport (Andy Burnham): The Government and UK Sport are working with sports governing bodies to identify and develop elite Olympic and Paralympic athletes through our world-class performance programme. We have seen a fundamental shift in the way in which elite sport is resourced—from £63 million of lottery funding for Sydney to £265 million of lottery and Exchequer funding for Beijing, building to a significant package of lottery, Exchequer and private funds for London 2012.

Mrs. Hodgson: I am sure that the Secretary of State will join me in congratulating the Sunderland boxer Tony Jeffries on the bronze medal that he won in Beijing. However, the Secretary of State may not be aware of the problems that Tony Jeffries encountered trying to secure funding for his pre-Olympic training. My friend and neighbouring MP, my hon. Friend the Member for Blaydon (Mr. Anderson), thanks to some good work, managed to secure some funding on Tony Jeffries' behalf. Can the Secretary of State assure me that the same problems will not be encountered by north-east athletes or indeed athletes from anywhere in the UK in the run-up to 2012?

Andy Burnham: I am grateful to my hon. Friend, who gives me a useful prompt to say that I am sure that the whole House wishes to join me in congratulating our Olympians and Paralympians on their outstanding success at the Beijing Olympics in the summer. They truly inspired and lifted the entire nation, and we all pay tribute to them; it was the best ever performance by Great Britain on foreign soil in an Olympic games. I saw Tony Jeffries fighting while I was in Beijing, and I am sure that we would want to congratulate him, too, on his bronze medal. I know that he faced particular challenges leading up to Beijing, although he did benefit from some world-class performance funding. What this says to me is that as we move forward, we need to put in place a package of support that really lets our young people focus on sport. That is the real benefit of world-class performance funding—giving them some certainty, so that they can focus on what they do best. We can all learn the lessons of the run-up to Beijing, and try to do even better as we come into the London Olympics.

Mr. Mark Harper (Forest of Dean) (Con): In a similar vein to that of the hon. Member for Gateshead, East and Washington, West (Mrs. Hodgson), I wonder whether the Secretary of State will join me in wishing the very best of luck to Jake Arkell and Callum Frowen, from my constituency, who this weekend will be participating in the world drugs-free powerlifting championships in Antwerp. They trained at the Forest fitness centre in Cinderford, which trains people across my constituency. I am sure that the Secretary of State will join me in wishing them the very best of luck.

Andy Burnham: I certainly will. I am sure that everybody wishes to see British sporting success continue and the momentum that we established in Beijing go on and on, so they have my very best wishes.

Mr. Andy Reed (Loughborough) (Lab/Co-op): I am sure that my right hon. Friend will not mind if we do not run through all the medallists that we have in Loughborough; we would probably be here for some time, and I think that we came 34th in the medal table at Beijing this time round. However, he will know that there is still the substantial shortfall of £100 million of funding—it has probably reduced a little now, to £69 million—leading up to 2012. Unless there is a significant change in the Government's position in the immediate future, the cuts to the programme could put at risk all the success that we achieved by coming fourth in the Olympic and Paralympic tables in Beijing. Will my right hon. Friend as a matter of urgency make sure that this thing is sorted out by the time of UK Sport's December board meeting?

Andy Burnham: My hon. Friend is absolutely right that we do not wish to lose any momentum that we have gained on the Olympic games. It is also important to say that the public support available now to our elite Olympians and Paralympians is obviously unprecedented, but we always said that wished to supplement it with funds raised from private sponsorship in the private sector, so we have come to a package of support for elite athletes that is essentially a mixed economy of lottery and Exchequer funds and funds from the private sector. In the long term, that will be the best way to sustain elite sport. We will soon announce a new scheme called "medal hopes", which will provide opportunities for businesses up and down the country to be associated with the world-class performance programme, and I am very confident that we will raise the money needed to ensure that we get even more success in London 2012.

Mr. Humfrey Malins (Woking) (Con): Does the Secretary of State agree that the National Rifle Association at Bisley has done a tremendous amount of work in the past few years in encouraging young people to develop their skills and their participation in the Olympic sport of target shooting? Wonderful work has been done. Can the Government say anything to encourage that improvement among young people that the NRA has started? Can he say a word or two about Bisley's future as far as the Olympics are concerned?

Andy Burnham: I would not disagree with anything that the hon. Gentleman said; the NRA does extremely good work. My hon. Friend the Minister for Sport has visited Bisley, and we remain in close discussion with the NRA and the Home Office, which has an interest in these matters. We shall continue to take forward those discussions, and I entirely endorse what the hon. Gentleman said.

Hugh Robertson (Faversham and Mid-Kent) (Con): May I associate myself entirely with the Minister's remarks about our Olympians and Paralympians?

I wish to pick up on the point made by the hon. Member for Loughborough (Mr. Reed). Over the past month, I have met every sports organisation involved with sourcing this missing £100 million—UK Sport, the British Olympic Association, the governing bodies of the individual sports or even Fast Track—and not one of them believes that the full amount is deliverable from the private sector, simply because so many other organisations are in the market looking for private funding. The Secretary of State must be aware that that uncertainty is having an extremely damaging effect on preparations for London 2012. Have any of those key organisations given him the same warning that they have given me?

Andy Burnham: I shall come to the hon. Gentleman's question, but first I wish to put some facts on the table. Some £265 million of public money was made available to support our Olympians and Paralympians in preparing for the games in Beijing. Let us cast our minds back. Practically nothing was available in the run-up to the Atlanta Olympics and Britain came 36th in the medals table. *[Interruption.]* Opposition Members say, "Before the lottery". It may have escaped the hon. Gentleman's attention that some Exchequer funding was put into the effort to support the team for Beijing.

The hon. Gentleman talks about a missing £100 million. It has always been our plan to put in place at least the same amount of support that we had for the Beijing games and then to supplement that with contributions from the private sector. We are working out the details of that scheme. Before the end of this year we will make a detailed set of announcements that give sport certainty going into this Olympic period—a unique period when the world spotlight will be upon us. I am proud of what we have done so far to support elite sport, and I am confident that we will build on the momentum and success that we achieved in Beijing.

World Heritage Sites

4. **David Wright** (Telford) (Lab): What plans he has further to support World Heritage Sites in the UK. [224374]

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Barbara Follett): With your permission, Mr. Speaker, before I answer the question I should like to pay tribute to the work done by my predecessor and friend, the right hon. Member for Barking (Margaret Hodge), and wish her husband, Henry, a very speedy recovery.

The Government are reviewing their UK world heritage policy, and as part of that review we will examine the costs and benefits of world heritage status and the future of the UK tentative list. We propose to consult widely on that shortly, and we are also looking to enhance protection for our world heritage sites through the planning framework.

David Wright: Do we not need to do more to promote UK world heritage sites around the world? Do not the 2012 Olympics give us an excellent opportunity to promote world heritage and world games? Will the Minister agree to meet me—I chair the all-party group on world heritage sites—and the Local Authority World Heritage Forum to discuss how the Government can support the better promotion of world heritage sites in the run-up to 2012?

Barbara Follett: I would be very happy indeed to do that, and I pay tribute to my hon. Friend for the work that he and the all-party group on world heritage sites do. I know that he has a particular interest in the site at Ironbridge.

Robert Key (Salisbury) (Con): May I warmly welcome the Minister to her new role and urge her to put Stonehenge at the top of her priorities? Since Stonehenge was declared a world heritage site, more than 50 Ministers have had some responsibility for it, which is probably why nothing has happened so far. Will she assure me that she will meet the new roads Minister to discuss the current proposals, the consultation on which ends this month, so that she can make progress on Stonehenge, taking into account not only its international and national significance, but the burden put on local communities by the lack of proper facilities at Stonehenge and the gridlock that occurs there every weekend?

Barbara Follett: I commend the hon. Gentleman; when I was a Parliamentary Private Secretary in this Department, I had great admiration for his tenacity on this subject. I will indeed do as he asks and meet the Transport Minister responsible.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): In congratulating my hon. Friend on her new role, may I invite her to visit Gorton monastery in my constituency, one of the most superbly refurbished world monuments in this country—

Mr. Denis MacShane (Rotherham) (Lab): Like its MP!

Sir Gerald Kaufman: We've had MacShane: what about Lucan?

In inviting my hon. Friend the Minister to visit the monastery, may I ask her to consult colleagues about the ludicrous anachronism that prevents civil marriage ceremonies from taking place there, because the Marriage Act 1994 prevents civil marriages from taking place in a former place of worship? In her new role, will she show her dedication to world monuments by consulting colleagues to put that right?

Barbara Follett: I thank my right hon. Friend, and I would be very happy to visit the monastery. I have a family interest in such matters as my husband writes about them extensively. I will also consult colleagues on the Marriage Act.

Philip Davies (Shipley) (Con): Saltaire is a marvellous world heritage site in my constituency, and the biggest problem that it experiences is congestion at Saltaire roundabout. Does the Minister agree that the regional transport board that decides such matters should take into account the visitor experience at that world heritage site, and will she use her good offices to try to persuade the board that funding for improvement of that roundabout should be a priority?

Barbara Follett: I will indeed. It is a great heritage site, and as a regional Minister I know how important it is to get regional engagement on these matters.

Mr. Stephen Hepburn (Jarrow) (Lab): The Minister's predecessor not only agreed to support the Jarrow-Wearmouth bid for world heritage site status, but agreed to meet a delegation on the issue. May I take it that the Minister will confirm her support for the bid and carry on the commitment to meet the delegation from Jarrow?

Barbara Follett: I am very happy to do so. I seem to be collecting quite a lot of meetings today, but I am happy to meet my hon. Friend and to confirm my support for the site.

Mr. Edward Vaizey (Wantage) (Con): May I also pay tribute to the Minister's predecessor, the right hon. Member for Barking (Margaret Hodge), who brought huge passion and enthusiasm to her job? I regret that she has left the Front Bench, but my regret is tinged with joy in welcoming the new Minister, who also brings huge passion to the job, as well as a close association with one of the greatest literary figures in this country. We will welcome her contribution over the next few months.

I invite the Minister to admit that she feels ashamed that, on this Government's watch, seven out 27 of our world heritage sites have been threatened with inclusion on UNESCO's in-danger list. Now we learn that the Government have overruled their own planning inspector on the Doon tower. When will this Government take our world heritage sites seriously?

Barbara Follett: I thank the hon. Gentleman for his gracious remarks. I do not think that my husband would describe himself in such terms, but I will convey them to him. I am only proud of what this Government have done and what we intend to do for heritage. Some of the UNESCO reports have been slightly exaggerated.

Football Clubs

6. **Mr. Ian Cawsey** (Brigg and Goole) (Lab): What his policy is on the regulation of the governance and ownership of football clubs. [224377]

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Gerry Sutcliffe): The governance and ownership of football clubs is primarily a matter for football. However, I believe that given the changes in the game in recent years a number of legitimate concerns are being expressed by football supporters and now is the time to have a proper and open debate. My right hon. Friend the Secretary of State and I will shortly meet the football authorities—the Football Association, the premier league, the Football League and others—to discuss the financial regulatory framework of football and a range of issues surrounding the game.

Mr. Cawsey: I thank my hon. Friend for that reply. I am sure that he will want to join me in passing on our best wishes to Mike Newell, who was announced as Grimsby Town's new manager this morning. The club suffered financial difficulties due to the collapse of ITV Digital and I know that the Minister's own club, Bradford City, has had financial problems, too. In those meetings with football authorities, will the Minister discuss ways in which they can help with the governance of the game to ensure that clubs do not amass crippling debt and that there is greater financial transparency?

Mr. Sutcliffe: I am grateful to my hon. Friend for raising that issue, which has been raised with me by a number of colleagues in the House and in the other place, as well as in correspondence from a variety of football supporters. The time is right to look at football. On his initial point, I, too, wish Mike Newell well—as

an ex-Evertonian he must have some knowledge of the game—and I wish Grimsby Town well. This is a serious subject that affects many football clubs and a great number of people in the country. We want to work with the football authorities and look forward to doing so.

Mr. Mark Field (Cities of London and Westminster) (Con): I appreciate that the Minister is a hard-working and committed football fan, but I think that his sense that football can get on and regulate itself is somewhat far from the mark. There is great concern that football needs to get its house in order, particularly given the amount of public money that has gone into the game over the past decade and a half and the fact that we also wish to host the World cup. Those are real concerns that he touched on earlier. Will he ensure that he works closely with his erstwhile colleague, Lord Triesman, who now has an important role in the Football Association, to ensure that more is done and that the high-profile concerns about the football industry are brought to book?

Mr. Sutcliffe: I understand that it is the hon. Gentleman's birthday, so I wish him a happy birthday. We have to consider the key issues, and it is quite interesting to hear from Conservative Members suggestions that we look at more regulation. We have to take the key issues into consideration, and first of all the international bodies—FIFA and UEFA—will play a role.

We have to appreciate that some work has been done. That done by the conference on early warning systems and financial difficulties has been an important step forward. We want to see transparency, and perhaps we need to look again at the fit and proper persons test. Clearly, the matter has to be the responsibility of football, but we will do what we can to ensure that the concerns of supporters are addressed. The hon. Gentleman will know that the FA has an independent chair as a result of the Burns report, and so movement has clearly taken place.

David Taylor (North-West Leicestershire) (Lab/Co-op): Given the takeover of Manchester City by a mega-rich plutocrat from a country governed by a hereditary dictatorship and given the dubious source of finances used to buy Chelsea and Heart of Midlothian football clubs, does the Minister agree that now really is the time to regulate the way in which British football clubs are acquired, particularly when they are acquired by people who have become billionaires through corruption, dishonesty or extortion, or all three?

Mr. Sutcliffe: First, I do not think that it matters what the nationality of an individual is. We have examples in the premier league, such as that of Aston Villa, where people are doing well in their ownership of the club and in its development within the community. My hon. Friend touches on the fit and proper persons test, which needs to be revisited. That is one of the issues that we will take up with the football authorities.

Mr. Don Foster (Bath) (LD): I am grateful to the Minister for the answers that he has already given. I join him in believing that we need football club owners who really care about the long-term interests of the game. Indeed, the Secretary of State said that more than 10 years ago. In each reply so far, the Minister has said that the football authorities should resolve the issues, including the fit and proper persons test. Does he accept that the premiership has said only recently that the Government and not the football authorities must lay down the rules of ownership for football clubs? What are the Government going to do?

Mr. Sutcliffe: I do not recall the premiership saying that it wants Government interference, but I will check the record for the hon. Gentleman. Clearly, the country has laws on fit and proper persons, on company directors and on their rights, responsibilities and duties. Yes, there are laws effective on insolvency, and we need to find out whether we can do any more in terms of the laws of the land. But at the end of the day, it is not for the Government to run football. That would be the wrong thing to do, but we are certainly working with the football authorities to ensure that we do everything that is possible. We are ensuring that the concerns of supporters and others are getting across. The Government have supported Supporters Direct, and we have been working with the supporter organisations to ensure that they have a voice.

Mr. Dennis Skinner (Bolsover) (Lab): Does my hon. Friend agree that, although it is important to keep his beady eye on Abramovich and all the rest of them, it is probably more important in this world of politics, especially at this time, to ensure that bloated plutocrats such as Lord Ashcroft do not own the Tory party?

Mr. Sutcliffe: I take on enough in dealing with the world of sport. Clearly, the funding of the Tory party is a matter for it, but Lord Ashcroft's donations have not gone unnoticed on the Government side.

Mike Penning (Hemel Hempstead) (Con): As the Minister knows, I have written to him to express my concerns about the penalties that the football authorities imposed on Luton Town football club. That is clearly a major issue for Luton Town, but it also affects other small clubs around the country. Can the Minister assure me that the same penalties would have been imposed if Luton Town was in the premier league, or is there no level playing field in football these days?

Mr. Sutcliffe: I can understand the frustration of Luton Town fans, particularly as its new owners have done everything by the book. I can understand their feeling frustrated at the number of points that have been deducted, but that is clearly a matter for football and how it operates. However, such concerns have been put to me, and we will take them up with the football authorities.

Television (Access)

7. **Alun Michael** (Cardiff, South and Penarth) (Lab/Co-op): What steps he plans to take to enhance access to television for people with visual impairments as part of digital switchover. [224378]

The Secretary of State for Culture, Media and Sport (Andy Burnham): Blind or partially sighted people are eligible for the digital switchover help scheme, which provides help with equipment, installation and after-care support. Audio description is accessible through the equipment provided by the scheme.

Alun Michael: I am grateful to my right hon. Friend for his interest in this subject, particularly in relation to audio description, but is he concerned that the industry's target is 10 per cent. by 2013, whereas awareness of the service has already gone up from 43 to 72 per cent. among people with visual impairment? Is not digital switchover a unique opportunity to ensure that people can get Freeview receivers that include audio description? Will he urge the industry to increase the target to a more realistic level and to do so within months, rather than years, so that my constituents can benefit during 2009?

Andy Burnham: I pay tribute to my right hon. Friend for the determination with which he pursues these issues and for his work with the Royal National Institute of Blind People on these incredibly important matters. He is right to remind us that the digital switchover provides an opportunity to ensure that everyone can enjoy the benefits of digital technology. There are two issues on audio description. One of them is to ensure that it is as easy as possible for people to use. We are currently reviewing the core receiver requirements—the set-top box requirements—to find out whether we can make that easier still, so that we give people single button access to audio description. But he is right to push me and to ask whether more programme makers should include audio description on their services. Although I cannot give him a firm commitment today, I give him a commitment to look again at whether the ambition for programmes to carry audio description can be raised.

Mr. John Whittingdale (Maldon and East Chelmsford) (Con): Is the Secretary of State aware that, in the past few months, it has been apparent that a number of people who invested early in digital terrestrial TV set-top boxes to get ahead of switchover have discovered that they now do not work due to the fact that Freeview has changed the technology that it uses? Will he consider whether there is a case for extending the help scheme to any vulnerable or elderly person who suddenly finds that they are faced with black screens as a result?

Andy Burnham: I am aware of the technical problems raised by the hon. Gentleman, who is the Chairman of Select Committee on Culture, Media and Sport. Indeed, I have begun to notice an increasing number of letters on the issue arriving from hon. Members on both sides of the House. I agree with him that it is somewhat annoying, to say the least, for people who invested in digital technology very early to find that it does not work. I will look closely at the issue, and if he wants to meet to discuss it further, I am happy to do that, too, but it is now very important to maintain people's confidence in the services that they are switching to.

Rosie Cooper (West Lancashire) (Lab): With regard to access, the Secretary of State will be dismayed to hear that my local council has announced that many, if not a majority, of its tenants are likely to be without any access to TV after digital switchover. That is absolutely unacceptable for all my constituents, particularly those who are disabled or who have any sensory impairment. What guarantees can the Secretary of State give—I am not referring to the companies, which are offering a prayer and a promise—that my constituents will not be without a TV signal, and that switchover will not be allowed to happen if huge numbers of people cannot access TV?

Andy Burnham: I am grateful to my hon. Friend for raising the issue. The problem relates to a relay transmitter in the Skelmersdale area, if I am not mistaken. Obviously, we are approaching the switchover point in Granada-land, as we in the area like to call it; I think that a date is to be announced later this month. That should focus the minds of a few Labour Members. Clearly, we have to be sure that we are on top of such issues and that there is a fair solution, so that people can continue to access television services. I am aware of the issues that my hon. Friend raised and I am working through them, but I would be happy to meet her to discuss them further.

Television Licence Fee

8. **Mr. Andrew Robathan** (Blaby) (Con): What recent discussions he has had with the BBC on the level of the licence fee. [224379]

The Secretary of State for Culture, Media and Sport (Andy Burnham): None. The licence fee settlement announced in January 2007 by the then Secretary of State, my right hon. Friend the Member for Dulwich and West Norwood (Tessa Jowell), covers the period from 1 April 2007 to 31 March 2013.

Mr. Robathan: By 2013, we may find that the licence fee itself is somewhat out of date. Mr. Speaker, when you and I were boys—not so long ago—the BBC was regarded across the world as the gold standard of broadcasting, but many people now question the regressive nature of taxation through the licence fee. They question whether it gives the BBC an unfair advantage over commercial competitors, not just in the broadcast media but among local newspapers. Notwithstanding the work of the BBC Trust, people question the accountability of the BBC. Does the Secretary of State believe that the BBC gives the licence fee payer value for money, and will he address the concerns that people have raised?

Andy Burnham: The hon. Gentleman sounds dangerously off message; it sounds as though he has not done his homework. I am led to believe that one Polly Toynbee is the columnist of choice for those on the Conservative Benches these days, and I am sure that her column is the first thing that he looks for when the papers drop through his letterbox. In *The Guardian* today, she says that:

"at less than the price of a daily newspaper, the BBC remains astounding value."

I happen to agree with that—*[Interruption]*—but from the noises on the Opposition Benches, I am beginning to pick up on the fact that the Opposition do not. If they do not, they should make that absolutely plain.

Mr. Denis MacShane (Rotherham) (Lab): Obviously I agree with the Secretary of State's estimation of the BBC, but he should accept that this reactionary and regressive tax, which means that the poorest in the land pay the same as the richest, may no longer be sustainable. I ask him to talk with the BBC, just as we are talking with energy companies and others. If very poor people in my constituency who do not watch the BBC continue to have to fork out for this ever-increasing tax, there will be serious social problems.

Andy Burnham: My right hon. Friend will remember that there was a very thorough debate on the issues when my right hon. Friend the Member for Dulwich and West Norwood set the new licence fee only a few

months ago. All those issues were taken into account. The charter review concluded that, compared with the alternatives, the licence fee continues to be the best funding mechanism for the foreseeable future. Now that there is pressure on commercial public service broadcasting, it is crucial that we maintain a strong BBC as the backbone of our public service broadcasting system. The BBC is an international beacon, and I think that the licence fee is the fairest way to fund a universal service that is widely loved and respected by many.

Mr. Angus MacNeil (Na h-Eileanan an Iar) (SNP): BBC Alba, an excellent new Gaelic channel, has met with popular acclaim, particularly in my constituency, since it began broadcasting about two weeks ago, on channel 168 on Sky. Will the Minister use his influence with the BBC and the BBC Trust to make sure that the licence fee is used to ensure that the channel is accessible on Freeview as soon as possible?

Andy Burnham: I give the hon. Gentleman a commitment that I will look into that proposal. My Department has been very supportive of the service that he mentioned, and we will continue to support it in whatever way we can. I cannot stand here today and give him a precise answer to his question, but I will look into it.

Topical Questions

T2. [224336] **Mr. Peter Bone** (Wellingborough) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Culture, Media and Sport (Andy Burnham): Mr. Speaker, with your leave, I wish to update the House on important developments announced by my Department since the summer break.

I have set out the timetable for my review of public service broadcasting, which I will continue to take forward in conjunction with Ofcom, and I am very pleased that Stephen Carter has been appointed to support me in this work. I have also announced that I will commission an independent review of listed sporting events to look again at whether the right sporting events are protected for free-to-air broadcasts, and whether the right balance is struck between the interests of sport and the interests of television viewers.

We continue to work on the implementation of the McMaster report, including the recommendation to make more arts events free to the public. I recently announced a £2.5 million programme, funded through the spending review by Arts Council England, to give young people under 26 the chance to see free theatre at 95 venues across England. My right hon. Friend the Member for Barking (Margaret Hodge) played an enormous role in that scheme and in the implementation of the McMaster report. I would simply like to echo the very generous comments made by Opposition Front Benchers earlier in Question Time. My right hon. Friend stepped back for family reasons; I am sure that the whole House wishes her well, and wishes the Under-Secretary of State for Culture, Media and Sport, my hon. Friend the Member for Stevenage (Barbara Follett), well in her new role, too.

Mr. Bone: The Wellingborough and District Nene angling club has existed for 139 years, and owns and operates lakes in Northamptonshire. Recently, Natural England slapped an SSSI—site of special scientific interest—designation on it and imposed hundreds of restrictions, which makes the club's viability doubtful. Is it a new Government policy to close angling clubs, or is Natural England out of control?

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Gerry Sutcliffe): We fully support angling. Indeed, we have had regular meetings with angling associations. I am pleased that many of those associations have come together in one body, as we start to look at how we can be more supportive in future. Clearly, however, this is an issue, and I am happy to meet the hon. Gentleman and go through it in greater detail.

T7. [224341] **Mr. John Grogan** (Selby) (Lab): Given that the Secretary of State said in a speech in June that it was very disappointing that ITV had failed to meet its regional production quotas for two years running, and that that was non-negotiable, was it not an act of defiance for Ed Richards, the boss of Ofcom, last week to suggest reducing that quota from 50 to 35 per cent., particularly given the fact that his predecessor Lord Carter, who is now broadcasting Minister, set the figure of 50 per cent. just three years ago?

Andy Burnham: I am grateful to my hon. Friend, who takes a passionate interest in these matters, as do I. I have a strong belief in ITV as a company that has its roots in the regions, and has produced excellent news programmes for many years. He is right: I said I was disappointed because that was a legal requirement, not an optional target. Ofcom is dealing with the matter, so it would not be appropriate for me to comment further. However, my hon. Friend must recognise, as must Members on both sides of the House, that as the analogue licences wind down and we move towards a new world in broadcasting, which is all multi-channel and fully digital, the basis on which we regulate broadcasters changes and we cannot ask for the same deal in return for access to the scarce spectrum. That is just a fact of where we are, but I think we are all united in saying that we want strong regional output with a range of voices—more than one company providing it—in future, and I will talk to all broadcasters, ITV included, about those very issues in the months ahead.

T3. [224337] **Bob Russell** (Colchester) (LD): The Secretary of State will be aware that, should Newcastle and Everton be acquired by private owners in the near future, as is likely, more than half the clubs in the English premiership would be foreign owned, leading the former Sport Minister, the right hon. Member for Sheffield, Central (Mr. Caborn), to refer to that as a tipping point, so that the English game would "cease to be English". Is it not therefore time that the Government ordered a royal commission, or some other inquiry, into the whole stewardship and future of the national sport?

Mr. Sutcliffe: As I tried to say earlier, we want football to resolve these issues. I do not think it is a question of nationality. We can give examples in which foreign nationals do well with some of our premier league clubs. However, I take the point that there are issues that we need to consider, which have been raised by

supporters and by many in the House, concerning the governance of the game and concerning early warning systems in respect of financial accountability. A royal commission would be going too far, but we will report to the House the outcome of the discussions that we have with football authorities. Then we can have a debate in the House about the future of the game.

T8. [224342] **John Robertson** (Glasgow, North-West) (Lab): My right hon. Friend will be aware that during the summer the Performing Rights Society carried out a clampdown in certain areas, one of which was Yoker resource centre in my constituency, where the after-school care group was prevented from playing music and DVDs to entertain the children after they came out of school. Will my right hon. Friend look into such cases at Yoker and other centres so that people in deprived areas do not have to fork out an exorbitant amount of money to keep children occupied?

Andy Burnham: I have to say that I was not aware of the issue that my hon. Friend raises in relation to his constituency, but I am prepared to look into it. I agree that in general terms we want young people to be able to enjoy music without any barriers.

Mr. Jeremy Hunt (South-West Surrey) (Con): Mr. Speaker, may I welcome you back after the recess? I welcome the new Under-Secretary of State for Culture, Media and Sport, the hon. Member for Stevenage (Barbara Follett), to her post. Her biography states that she is not so much a champagne socialist as a cappuccino socialist. As a cappuccino Conservative, I look forward to many stimulating cups of coffee with her at arts events. *[Interruption.]* May I move the discussion on from cappuccino to ask the Secretary of State about the free swimming offer that he announced earlier this summer?

The Opposition welcome anything that gets more people involved in swimming. What is the Secretary of State's response to the letter that he received this summer from the Labour leader of Stevenage council, the new Minister's constituency, which said that the average cost to a district council of implementing that offer for the over-60s alone would increase council tax by nearly 2 per cent? Will the right hon. Gentleman give the House a categoric assurance that his Department will fund the offer in full and not pass the costs on to hard-pressed council tax payers by the back door, when they are already so concerned about rising bills?

Andy Burnham: I do not know about cappuccino, but there was a certain amount of froth in that question. The hon. Gentleman seems to have misunderstood the package that we proposed. The initiatives began in local government. Many councils have begun to make swimming free for older and younger people. My council, Wigan, has, entirely from its own resources, already put in place a free swimming scheme. We said we would like to help councils to go further, so in support of our objective of getting 2 million more people active by the time of the 2012 games in London, we wanted more councils to offer such schemes to their public. We said all along that it was a challenge initiative and that local authorities could opt into it, should they choose to. Of the 354 eligible local authorities, some 300 have confirmed their participation in the over-60s element of the free swimming programme, and 296 in the under-16s element. It is their decision to take advantage of the scheme. If the Opposition and the hon. Gentleman's council do not wish to take part, that is a choice for them, but Labour and the Government believe in sport for all.

T10. [224344] **Mr. Graham Allen** (Nottingham, North) (Lab): Will the Minister redouble his efforts in respect of sport as a way of tackling regeneration? Is he aware of the efforts by Sport for Nottingham, part of the local strategic partnership in Nottingham, which is trying to get young people on the outer estates and in the inner cities involved in sport as a means of team building and leadership building? It is already putting considerable effort into that. Will my hon. Friend ensure that sport is undertaken not just at the prestige level but at grassroots level, where it can help with crime, health and many other issues?

Mr. Sutcliffe: I congratulate my hon. Friend on showing such great leadership in his locality on sport and showing the impact that it can have on people's lives. He is quite right: this is not just about elite sport, important though that is; it is about ensuring strong community sport and strong sport in schools. He will know that we have restructured Sport England so that we can now work with governing bodies to look into whole sport plans. For me and the Government, a key element of that is ensuring that communities benefit from that participation through sport. We are happy to work with my hon. Friend and Sport England to ensure that everybody has access to sport.

T4. [224338] **Angela Watkinson** (Upminster) (Con): Has the Minister seen "Dance Manifesto", which is supported by more than 130 dance organisations across the spectrum, from our wonderful English National Ballet to I Love Salsa? Given the health, social and artistic benefits of dance, what will the Government do to strengthen it as an artistic pursuit?

Mr. Sutcliffe: I am grateful to the hon. Lady for raising this issue, because it is ever more popular across the spectrum, as we see in the variety of television programmes about it and about dance fit for young people. The Government are fully supportive. We believe that dance is an ideal tool for making people's lifestyles healthier and improving their self-esteem and confidence. We are working with the dance authorities and with regional partners to ensure that we invest in dance.

T5. [224339] **Mr. Philip Hollobone** (Kettering) (Con): Kettering borough council is keen to opt into the free swimming initiative. Although it can already do so for the over-60s, it is unable to do so for the under-16s because it still awaits detailed financial information from the Secretary of State's Department about how the grant funding mechanism will work. That information was due in September, but I understand that Kettering borough council is still awaiting it. Will he ensure that it is released as soon as possible to district authorities?

Andy Burnham: I welcome Kettering borough council's participation in the scheme for older people. My local experience is that not only was there an increase in people going swimming when we made it free for the over-60s, but there was an increase in the secondary

income that comes from people using leisure centres and pools more regularly, which is another good source of income for local authorities, so the scheme seems to work. We have been in discussion with local authorities, asking them to opt into the different funding streams. We will give final allocations to local authorities on 15 October, so I am sure that we will be ironing out those issues with Kettering in the next few days. However, I will ensure that we do so, following up the hon. Gentleman's question.

Mr. Lindsay Hoyle (Chorley) (Lab): Will my right hon. Friend ensure that he does not oversee the end of political programming in the regions? Will he now give Ofcom the teeth to ensure that it makes ITV stick to the franchise agreements on which it is currently trying to renege?

Andy Burnham: I know that my hon. Friend appears regularly on Granada's late-night programme—indeed, I look forward to his words of wisdom when I get home on a Thursday evening. He and I are from the same region and we share the same passion for regional broadcasting. As I was saying to my right hon. Friend the Member for Rotherham (Mr. MacShane) a moment ago, as long as there is still value in the licence, it is important that we prioritise news, current affairs and political programming. That comes out loud and clear from Ofcom's research into the issue. I will continue to talk to Ofcom and ITV to ensure a good, strong regional offering in news and current affairs.

T6. [224340] **Paul Rowen** (Rochdale) (LD): The Taking Part survey has shown a decline in the number of over-75s taking part in cultural activities. Given that the Government are reviewing their ageing strategy, what steps is the Secretary of State's Department going to take to reverse that decline?

Andy Burnham: We commissioned the Taking Part survey precisely to ensure that we do reach all parts of the community. One of the great things about free entry to museums and galleries over the past 10 years is that it has encouraged more people to use them more regularly. However, we keep such issues under review, and I can assure the hon. Gentleman that we shall respond in due course to the issue that he raises.

T9. [224343] **Miss Anne McIntosh** (Vale of York) (Con): The Secretary of State will be aware that there has been something of a renaissance in British film recently. Will he guarantee the future of local cinemas, such as the Ritz in Thirsk, which may suffer unfair competition from home entertainment plans?

Andy Burnham: This is a very important issue, and I am sure that it raises strong feelings locally in areas such as Thirsk and elsewhere in the hon. Lady's constituency. The Film Council has given some funds to help to put digital screens into smaller local cinemas, but ultimately I cannot guarantee their future. That is something that it is beyond my power to do, but we do support local cinema and we will engage constructively—as will the Film Council—to ensure that their survival continues.

OLYMPICS

The Minister for the Olympics was asked—

Site Landscaping

1. **Miss Anne McIntosh** (Vale of York) (Con): If she will make a statement about the award of contracts for landscaping for the Olympic site. [224390]

The Minister for the Olympics (Tessa Jowell): Before I answer the hon. Lady's question, I am sure that the whole House will want to congratulate Team GB on its extraordinary performance in Beijing in the summer, where it came fourth in the medal table, and also to congratulate the really amazing and uplifting performance and achievement of our Paralympic athletes, who came second in the medal table—a foretaste of what is to come in London in 2012.

As for the landscaping of the Olympic park, the total budget for landscaping the site is more than £240 million. The Olympic Delivery Authority announced in late September that Edmund Nuttall would be the contractor to manage the delivery of the northern section of the Olympic park. That firm will procure and manage a large number of specialist subcontractors and suppliers, which means that there will be many further opportunities for businesses around the country, through the CompeteFor network, to bid to be part of landscaping the Olympic park.

Miss McIntosh: May I echo the Minister's remarks, and may I also say that the investment and foresight of John Major in creating the lottery for the purpose of the Olympics has been vindicated many times over? Is the Minister aware that the landscaping contracts are subject to environmental constraints—such as all materials needing to be brought to the Olympics site by barge—and does she not think it perverse that a German company is being allowed to contract for the landscaping project in preference to Johnson's of Whixley in Vale of York, and other British companies?

Tessa Jowell: On the hon. Lady's point about the achievement of investment in sport, yes, the lottery has certainly played an invaluable role in funding our athletes, but so too has the sevenfold increase in the funding of Sport England since 1997. On the detail of the contracts that she has raised, and particularly on her specific constituency interest, I shall be very happy to write to her.

Mr. Nick Raynsford (Greenwich and Woolwich) (Lab): Does my right hon. Friend agree that David Higgins and his team in the Olympic Delivery Authority have done a magnificent job in the preparation of the Olympic park, including the environmental work and the soil cleaning, and that it is essential that they should have the maximum freedom to award contracts in a way that will deliver most cost-effectively and successfully? That kind of political interference—suggesting that contracts should be awarded by individual Members of Parliament—is entirely inappropriate to the successful running of the Olympic games.

Tessa Jowell: As I am sure that every Member of the House will recognise, being an advocate for businesses in their local area is entirely legitimate, but my right hon. Friend is absolutely right to say that value for money and timeliness will be the criteria by which the award of contracts will be judged.

Hugh Robertson (Faversham and Mid-Kent) (Con): May I associate colleagues on this side of the House entirely with the Minister's congratulations to our Olympians and Paralympians? She will be aware that the ODA has spent a lot of time touring the party conferences over the past three weeks, warning of the necessary increases in the budget to deal with the current economic situation. However, the landscaping contract, among others, must also be subject to pressures in the opposite direction. Building cost inflation is now lower than it was, and the labour market has eased. Will she arrange for the ODA to present a statement to the House, following her report in July, to show which costs have gone down, as well as showing those that have gone up?

Tessa Jowell: The hon. Gentleman is well aware of the reporting arrangements that apply, as well as the level of transparency, the three-monthly reports and the regular briefings that are provided to members of the Opposition parties. There is ample opportunity to examine those figures in the way that he suggests, including through the Select Committee, without placing a further burden on the ODA, which is getting on with the job of delivering the Olympic park on time and on budget, and doing it very well.

Paralympic Games

2. **Mr. Mark Harper** (Forest of Dean) (Con): If she will make a statement on the participation of people with learning disabilities in the London 2012 Paralympic Games. [224391]

Tessa Jowell: The Government fully support efforts to see athletes with intellectual disability eligible to compete in the Paralympic Games. I am delighted that the International Paralympic Committee and the International Sports Federation for Persons with Intellectual Disability envisage that that should be possible for the London 2012 games. That is reliant, however, on some additional work in order to ensure full fairness, and I am delighted that the Department is helping to fund that further research.

Mr. Harper: I am very grateful to the Minister for that answer. I am sure that she was as heartened as I was by the announcement during the Paralympic games that progress had been made on an objective test so that it could be verified that athletes did indeed have a learning disability. I am sure that she will welcome swift progress towards allowing these people to compete. We both share the vision of having them compete in London 2012, which will be particularly important for those who train at the Forest fitness centre in my constituency. For them, the goal of participating in the London Olympics or Paralympics is indeed inspirational.

Tessa Jowell: I fully recognise that this would be both a popular and fair move—one that I have argued for throughout my long association with the Olympic movement. I very much hope that negotiations will conclude and allow athletes with learning disabilities to take part in the 2012 games.

Mr. Andy Reed (Loughborough) (Lab/Co-op): Notwithstanding changes in the Olympics and Paralympics and the success that Loughborough has had, will the Minister also recognise the special place of the Special Olympics, which will come to the city of Leicester in 2009? I declare an interest as a board member, but this should not be just a Leicester city or county-wide celebration; it should be a nationwide celebration of people with learning difficulties participating in the Special Olympics.

Tessa Jowell: My hon. Friend is absolutely right and I am quite sure that Leicester will look forward to welcoming the world to the Special Olympics when they are hosted there next year. I look forward to attending them.

Legacy (North-West England)

3. **Ann Winterton** (Congleton) (Con): What recent discussions she has had on the Olympics legacy for the north-west of England. [224392]

Tessa Jowell: I regularly meet the nations and regions group to ensure that the UK-wide legacy of such an important promise as the 2012 Olympics is delivered in practice. The groundwork for the legacy in the north-west is already in place. The hon. Lady will no doubt be aware of the success of firms in the north-west in procuring contracts for a number of training camps for Olympians and Paralympians. I am also delighted in respect of the broader legacy of greater participation in sport and about the significant number of local authorities in the north-west which have taken up the Secretary of State's proposal to offer free swimming in order to get the north-west fit for 2012.

Ann Winterton: I am grateful for that answer and I can confirm that the Alsager campus of the Manchester Metropolitan university has been selected as a training camp, mainly because it is recognised as the foremost college of sports science and medicine and because it has outstanding facilities. What will be the specific benefits of the Olympic legacy to the north-west, particularly for young people? Will there be more coaches, more volunteers and more opportunities for physical activity? Will the Minister be more specific about the benefits?

Tessa Jowell: I have set out the what the benefits are now—what is happening and what is already in place. The hon. Lady may be interested in attending a briefing on 13 October, at which the Organising Committee and others will set out the legacy in more detail. Having been through the briefing papers on the legacy for the north-west, I will be happy to place a detailed report in the Library. Here on the Floor of the House, I believe Members are on edge to hear more about the financial markets rather than the Olympic legacy for the north-west, but I am happy to provide that information, as I said.

Tom Brake (Carshalton and Wallington) (LD): Does the Minister agree that the legacy in the north-west would be greatly enhanced if the Government moved with the same speed as our wheelchair athletes, swimmers and cyclists towards a system of gross profits tax, as suggested on the Liberal Democrat Benches three years ago, as that would enhance the resources available to good causes, not only in the north-west but everywhere else in the country?

Tessa Jowell: The hon. Gentleman should be aware that, although that matter is not entirely straightforward, the Government have reached an agreement to look at it again. It is in everybody's interest that every pound of lottery money is spent to produce maximum public interest, particularly given the commitment to the Olympics.

Financial Markets

3.34 pm

The Chancellor of the Exchequer (Mr. Alistair Darling): With your permission, Mr. Speaker, I would like to make a statement regarding developments in financial markets to bring the House up to date.

The events in America over the last few weeks and in Europe over the last few days have again demonstrated the global nature and the sheer scale of the problems affecting the global financial system. What started in America last year has now spread to every part of the world and the disruption in global financial markets has intensified, especially over the last few weeks.

People are rightly concerned about what is happening, and I have made it clear that we will do whatever is necessary to maintain stability. Along with Governments across the world, I have a responsibility to support a stable, well functioning banking system. Financial transactions are at the heart of everything we do. They allow people to buy goods, pay for services, buy homes, save for pensions and invest, so it is essential that we take action to support the banking system as a whole, as well as being ready to intervene in particular cases where it is necessary to do so. It is not a case of doing either one or the other. Both general support and individual intervention are necessary.

We need, too, to work with other countries to tackle the causes of those problems, as well as dealing with their consequences. Let me briefly remind the House of what we have done to stabilise the banking system as a whole. Since April, the Bank of England, with support from the Government, has introduced the special liquidity scheme providing funding to the banks. The Government have made available in excess of £100 billion of long-term funding to be lent through the scheme, and the Bank of England has extended it until January. I am willing to make further resources available as necessary and the Governor has made it clear that

"in these extraordinary market conditions, the Bank of England will take all actions necessary to ensure that the banking system has access to sufficient liquidity".

The Bank of England has also continued to inject substantial funds into markets through its normal operations, and it will continue to do so. Tomorrow, it will put in another £40 billion, taking in a wider range of security, and those operations will continue into November.

We also need to deal with specific problems as they arise, to maintain stability. In February, we took special powers to bring Northern Rock into public ownership—now seen by most people as the right thing to do. I can tell the House that Northern Rock has now paid back more than half the taxpayers' money that was lent to it and it continues to repay its loan ahead of schedule.

In August, I announced that the Government would swap up to £3 billion of outstanding debt for equity, if required, to strengthen Northern Rock's capital position. In September, we amended the competition regime to allow the interests of financial stability to be considered in the proposed merger between Lloyds TSB and HBOS. We took that exceptional measure because financial stability had to come before normal competition concerns.

Ten days ago, we had to deal with the problems at Bradford & Bingley. We transferred the savings business, the branches and the related jobs to Abbey Santander, protecting savers, and took the rest of the company into public ownership. We acted decisively to protect savers, and also the interests of taxpayers, ensuring that the financial sector bears its share of the costs.

I have made it clear on many occasions that our priority is to maintain stability and protect the interests of depositors, and safeguard the interests of the taxpayer. I want to set out what we have done so far here at home and also to deal with developments in Europe over the weekend.

The Financial Services Authority has announced a further increase from tomorrow to the compensation limit for retail bank deposits to £50,000 per depositor, which means £100,000 for joint accounts. That measure will ensure that 98 per cent. of accounts are fully covered. The FSA is consulting on whether to increase that limit further to ensure that arrangements here continue to be comparable with international best practice.

I have always been clear that each country needs to do whatever is necessary to deal with its own particular circumstances. However, I also believe that, wherever it is possible to do so, countries should work together and act to maintain stability. This afternoon—in the last hour—all 27 European Union member states have reaffirmed the need to take whatever measures are necessary to maintain the stability of the financial system, whether through liquidity support, action to deal with individual banks or enhanced depositor protection schemes. But in the light of what has happened over the weekend, it is especially important that EU member states work far more closely together. So tomorrow I will meet European Finance Ministers in Luxembourg to discuss further how we bring stability to the system and protect depositors.

This demonstrates that every country in the world—Europe included—is being affected by these problems. In the United States, Congress has now approved measures to support its banking system, which we welcome. Our approach has been different, but what has happened in America emphasises yet again the need for countries to take whatever action they believe is necessary while also working closely together not just to resolve these problems, but to try to prevent them from happening again.

Later this week, I will attend the G7 and International Monetary Fund meetings in Washington. Our aim is to reduce uncertainty and to improve confidence in financial markets by increasing the openness of financial institutions' exposures. We also want to change and improve the effectiveness of credit rating agencies. These measures are now being implemented, but I believe that we need to move far more quickly.

Here at home, a number of specific steps are necessary. First, the Bank of England will continue to do whatever it takes to make cash available for banks to lend. Secondly, the banking Bill will be introduced tomorrow, building on the special powers we took in February to allow us to intervene quickly and decisively. It will also give the Bank of England a statutory role to maintain financial stability, to complement the role of the FSA.

Thirdly, just as at an international level, lessons need to learned. We need to ensure our regulatory system here is up to the mark. It is not about light touch against heavy-handed regulation; it is about making sure that we have the necessary rules in place and that

[Mr. Alistair Darling]

those rules are enforced effectively. I have asked Adair Turner, the new chairman of the FSA, to make recommendations for reforms. As recent events in the financial markets have shown us, regulation should be about liquidity as well as capital. That is why the FSA is considering changes to the liquidity requirements. It is also looking at remuneration structures in the institutions that it regulates.

Fourthly, we must do everything we can to ensure not only that banks have the confidence to lend to each other, but that lending is maintained to the mortgage market, businesses and individuals. I shall publish Sir James Crosby's recommendations on options for improving the functioning of the mortgage finance markets shortly.

These are exceptional times, and I am in no doubt as to the size of the task facing us and Governments across the world in bringing order to the financial system. The process of change will necessarily take some time to work through, and because we are dealing with international institutions and international markets, it will require not only action at a national level here, but concerted international action.

It is right that we look at every aspect—liquidity, capital and regulation—with other countries and of course with the financial sector itself, but it would be irresponsible to speculate on the specifics of future responses. Indeed, providing a running commentary could add uncertainty in already febrile market conditions. But I want to make it clear that all practical options must remain open to us. I have made it very clear that the Government are ready, with the resources and the commitment, to do whatever is necessary, and I will keep the House informed.

Our priority, at home and abroad, is to bring stability to the financial system, to ensure that depositors and savers are protected, and to defend the interest of the taxpayer. I commend this statement to the House.

Mr. George Osborne (Tatton) (Con): As we see again from today's markets, these are times of great instability for our economy and of great anxiety for the people we all represent. Families are deeply worried about their savings, their homes and their jobs, and it is up to us to try to work together to get the country through this current crisis. I do not think that the British public would thank us if they saw happening here in this House of Commons what everyone saw happening in the American Congress. That is why we offer to look constructively at any proposals brought forward by the British Government.

For let us be blunt about it: if the banking system fails, it is not just the banks that go bust—businesses fail, families cannot get mortgages, and people lose their jobs, not just in the banks, but across the wider economy. The Prime Minister said that we would never see a return to 15 per cent. interest rates. This week, one of our high street banks has written to many of its small business customers, increasing their interest rate to 15.8 per cent. All of us need to work together to stop Britain sliding from a banking crisis into a deep recession.

Of course, constructive support does not mean that we are suspending our critical faculties. We will return at a later date—*[Interruption.]* Oh yes. We will return at a later date to ask how on earth Britain found itself, at the end of this age of irresponsibility, with more personal and public borrowing than any other advanced economy in the world. But today I want to ask the Chancellor about the immediate issues facing the banking system: the issues of confidence, liquidity and capital.

The Chancellor mentioned the banking Bill. Will he confirm that it will create the Bank of England resolution regime that we think should have been used to deal with Northern Rock and Bradford & Bingley? As I told him last week when we met, the Bill will have our support. We also welcome the decision to raise the limit of protection on retail deposits to £50,000. We have been proposing that from the Dispatch Box for almost a year, and it is clearly the right thing to do. Even so, events are moving fast, with the broader guarantees issued first by Ireland and Greece and then by Germany, Denmark and others. Will the Chancellor confirm that none of those countries informed the British Government in advance, and does he agree that it is not helpful for European leaders to call for international co-ordination at summits and then, hours later, to act unilaterally? As he implied in his statement, their confusion is adding to market anxiety today. He is going to ECOFIN tomorrow. What reassurance can he give us that we can avoid descending further into a beggar-thy-neighbour approach that will, in the end, help no one?

Let me turn to the issue of liquidity. The increasing reliance of our banks on the overnight money markets is creating a hair-trigger effect which leaves individual institutions more and more exposed to events. That must clearly be undone, so we all support the Bank of England's decision to extend funding to the banks from tomorrow—it should address the urgent liquidity problem—but let us be clear about what is happening here. The Bank of England is becoming not just a lender of last resort, but the lender of only resort. Does the Chancellor agree that, in the medium and the long term, that is unsustainable? We need to address not just the symptoms of the crisis but the cause, and that brings me to the issue of capital.

The cause of this crisis is that we built an economy on a debt-fuelled bubble. Now the bubble has burst, and the debt is being called in. That leaves banks under-capitalised and their balance sheets weak. There are steps that can be taken now to stop, for example, the mark-to-market accounting rules adding to a downward spiral of falling asset values and restricted lending. The Chancellor's immediate reaction when we proposed that was to say that it would make "no difference". Many, many banks disagree with him, and so do many European countries. If he will not accept our argument, will he at least engage with theirs?

That still does not address the central challenge: the need to recapitalise the British banks. Does the Chancellor agree that that must, in the first instance, mean shareholders' accepting their responsibility? As I said to the Conservative conference, banks that pay out dividends instead of rebuilding balance sheets should be held to account by regulators.

I know the Prime Minister said when he went to New York that he wanted to handle the crisis on a case-by-case basis, but events have moved on. Does the Chancellor accept that the ad hoc approach is running out of road? No one is expecting the Chancellor to stand up here and speculate on every single option available, but he himself

confirmed yesterday that big steps were being considered by the Government. Would it not be irresponsible not even at least to consider more dramatic measures to help our banks, including support from creditors and Government injection of capital? Of course there would have to be very strict conditions to protect taxpayers and ensure that they benefited first from any gain, and we could not contemplate taxpayers' money being used to prop up the kind of salaries and bonuses that we have seen in recent years. We must make sure—*[Interruption.]* The Chancellor can ask his new City Minister in the House of Lords about that.

We must make sure that in return for any support the banks start lending again, but in the end, for all the risks to taxpayers involved, there is one thing worse than Government action, and that is inaction in the face of this crisis—for then the far greater risk to the taxpayer and the country is a long and lasting recession. Boom has turned to bust; now bust must not become something worse. That is why Conservatives stand ready to help.

Mr. Darling: I welcome the shadow Chancellor's offer of co-operation and help, especially as he appears to have changed his tune somewhat about what remedies he now thinks are appropriate. I hope that he will now recognise that it is necessary for Governments to play an active role in trying to resolve the problems that we face, in order to produce greater stability as well as to help depositors.

I disagree with the hon. Gentleman in one respect in particular. Our position is not that one has to choose between generalised measures of support and looking at particular cases case by case. When we were confronted with the problems at Bradford & Bingley 10 days ago, for example, we had to deal with that specific case, because the problems were peculiar to that bank—it was the same for Northern Rock, and different particular issues arose in relation to Lloyds TSB. In addition to dealing on a case-by-case basis, it is necessary to have an overall approach. That is why the special liquidity scheme, which the Bank of England operates, was put in place, and there will be other measures, too.

I am glad that the hon. Gentleman welcomes the Bill, and I hope that we will get support for the measures in it. I very much welcome the fact that he and the hon. Member for Twickenham (Dr. Cable), who speaks for the Liberal Democrats, are anxious to ensure that we try to get the legislation on to the statute book by the middle of February next year, when the provisions we made to take Northern Rock into temporary public ownership will expire. That would be extremely helpful and useful.

So I welcome the support of the hon. Member for Tatton (Mr. Osborne), although I notice that his tendency to lapse into points-scoring and party politics did not take long to reappear. I must make this one point to him in passing: our interest rates are 5 per cent. now, and while people obviously have their views on that, they compare rather favourably with the 15 per cent. interest rates that we had some 15 years ago.

The hon. Gentleman went on to raise some perfectly pertinent points, which I want to deal with. First, in relation to guarantees and what happened over the weekend, as far as I am aware no Government—nor the European Commission—was made aware of what the Irish Government were proposing to do last week. I took up that matter with Brian Lenihan, the Irish Finance Minister, and he explained that they did that because, in their judgment, they needed to take action because of what was happening in Europe. I understand that, but it demonstrates the problems that arise when member states take unilateral action, because, of course, it has a knock-on effect for other member states. Similarly, Germany announced action yesterday. As I understand it, Germany has made a declaration that is not legally binding; it is a political declaration about guarantees.

This emphasises the need for us all to work together, which is why from last night we have been working with the French presidency to get a declaration from all member states—a pledge to work together, to act together. As I said, that statement was finally agreed just an hour ago. I very much hope that when we meet in Luxembourg tomorrow we will agree that, whatever is done, European member states act together. That is very important; otherwise, we will end up with a situation that is confusing not just to depositors, but to institutions themselves.

On the hon. Gentleman's points about accounting rules, the European Union is looking at that. On Friday, the International Accounting Standards Board said that it would look at the lessons to be drawn from what has been happening in markets, to see whether any changes ought to be made and also to make sure that we do not find that European and American rules start to diverge. However, I say to the hon. Gentleman that it would be a huge mistake to assume that changing the accounting rules would sort out the problem. Especially at this time, markets want to know exactly what is going on, and they do not want to think that the situation has apparently improved simply because the ways in which things are accounted for are different. That issue is not somehow a "get out of jail free" card; it needs to be looked at, but it does not provide the answer that the hon. Gentleman might have been suggesting.

Finally, on capital, I said in my statement that we stand ready to look at the issues of liquidity, capital and regulation. They all need to be looked at, and we are ready to do whatever is necessary. I also went on to say—here, I agree with the hon. Gentleman—that we saw from what happened in the United States that nothing is worse than coming forward with a plan that is not sufficiently developed and about which questions cannot be answered, which resulted in some $1.5 trillion being lost over the 10 days that followed. I am determined that when we take action, we take it quickly, we take it decisively and it works. That is what I am determined we will do.

Dr. Vincent Cable (Twickenham) (LD): I thank the Chancellor for his statement. I do not think that any of us envy him for the very considerable weight of responsibility that rests on his shoulders, and we are going to have to work together in the common interest. There will be a time to decide who made mistakes, but the issue now is: have we moved forward?

The Chancellor said that he will do whatever he has to do in the financial crisis. He is right, and I hope that he will, but there are some issues that need clarifying. In the wake of the apparent German decision to give a complete guarantee for all deposits in the German banking system, it seems to us that the British Government will indeed have no alternative but to give a comparable assurance to people in the British retail high street

[Dr. Vincent Cable]

banks. We all know that our bank deposits are safe. Some of my own modest savings are in the Bank of Scotland and some are in the Royal Bank of Scotland, so I am more than usually dependent on both the Chancellor and the Prime Minister and on the First Minister of Scotland not to let me down. However, there are anxieties. People have anxieties about specific questions such as merged banks, large deposits during house sale transactions and small independent businesses, and there needs to be more clarity about the guarantees than the Financial Services Authority has currently given.

Secondly, the Chancellor said in his statement that he is pursuing a case-by-case approach. He is right, and we have no quarrel with what he did in relation to Bradford & Bingley and HBOS-Lloyds—that seemed to be the right approach. However, we are now in a different situation, where banks are being picked off one by one. I set out proposals yesterday, and the Conservative leader said something rather similar this morning—*[Interruption]*—about the need for recapitalising the banks with a form of partial nationalisation. I hope that the Chancellor will confirm that those specific ideas are under active discussion.

Finally, I would like to say a little bit about interest rates. Of course, the issue is about the availability of credit, but it is also about official interest rates and the implications for mortgage borrowers and small businesses. I have been a very strong advocate of the independence of the Bank of England; I made my maiden speech about it in this House 10 years ago. Does the Chancellor not think it appropriate, in emergency conditions, to make it absolutely clear that the mandate of the Bank of England must include responsibility for averting a meltdown in the financial and economic system? Those members of the Monetary Policy Committee who are going around saying that the problems go no further than the financial system need a line of communication back to planet earth. We do need to be thinking about radical cuts in interest rates.

I know that the Chancellor has said that my comments on this subject are dangerous, and I recognise the dangers. These are very dangerous times, and decisive decisions are going to have to be taken over the next few days and weeks to safeguard millions of jobs and homes. I hope that the Chancellor will give us the leadership that we need on those issues.

Mr. Darling: I am grateful to the hon. Gentleman and for the fact that on many occasions over the summer he indicated his support for the general approach that the Government are taking. He asked three main questions, one of which related to guarantees. As I said earlier, I think it desirable that European member states act together. If the House looks at the statement that all 27 member states signed up to earlier this afternoon, it will see that there is a commitment there to work together, and it is important that we work together. We have the FSA announcement that it will increase the amount covered to £50,000, and as I said, that covers 98 per cent. of all accounts.

The hon. Gentleman mentioned liquidity and capital. May I emphasise to him that, as I said in my statement, I believe that we must look at three elements? First, we must ensure that there is adequate liquidity in the system. That is absolutely essential, which is why I welcome what the Bank announced this week and the fact that it is looking at providing facilities for far longer than is usual. The problem is not just an immediate one. He rightly says that we need more liquidity, because without it we cannot move to the second phase. I have also said that we need to look at regulation and at issues such as capital, and we will do so; when I have proposals to make, I shall come back to the House to set them out.

Finally, on interest rates, I do not think that I ever said that the hon. Gentleman is dangerous—whatever else he is, that is not quite the right description—but I think that in this case he is just wrong. If one establishes an independent central bank, distant from government, I do not think that one should change its terms of reference just because times are difficult. I should just remind him and the House of what the Bank of England Act 1998 says. The objectives of the Bank of England are

"(a) to maintain price stability, and

(b) subject to that, to support the economic policy of Her Majesty's Government, including its objectives for growth and employment."

I do not see any need to change that remit.

Mrs. Linda Riordan (Halifax) (Lab/Co-op): There is much concern and anxiety in Halifax about the uncertain future of HBOS, which is the second largest employer in the town. Will the Chancellor guarantee that he will do all he can to safeguard these jobs and give a commitment that Halifax and other HBOS locations will be on a level playing field?

Mr. Darling: My hon. Friend has already raised with me the question of jobs in her constituency and the surrounding area. I understand that the future of HBOS and the developments at Bradford & Bingley mean that a much wider area is affected. I hope that HBOS and Bradford & Bingley will do everything possible to try to maintain jobs and to help people for whom there will not be jobs in the future to get jobs elsewhere. I have met the regional development agency and the Minister for Yorkshire and the Humber, my right hon. Friend the Member for Doncaster, Central (Ms Winterton). We are determined to do everything we can to help people through what is undoubtedly a very difficult time. I know, from my conversations with them, that HBOS and Lloyds are acutely aware of the impact on employment in my hon. Friend's constituency. I am sure that she will continue to do everything she can for her constituents, as she has done ever since the announcement.

Philip Davies (Shipley) (Con): I know that the Chancellor understands the impact on the wider local economy of what has happened to both HBOS and Bradford & Bingley, and I sincerely appreciate the fact that there will be no compulsory redundancies at Bradford & Bingley for six months—that has been welcomed.

Many employees were also small shareholders in Bradford & Bingley, and many of them loyally supported their company through a recent rights issue in order to try to save the business. I understand that the business had £1.5 billion of equity at the time of nationalisation and that the sale of the savings side raised £400 million. The expected losses on the mortgage book are independently

assessed to be about £1 billion. That leaves about £800 million, which, split between 1.6 billion shares, works out at about 50p a share. Does he recognise those figures? Can he give the House some idea of what might happen to those small shareholders?

Mr. Darling: The hon. Gentleman is understandably concerned about jobs in his constituency. As I said to my hon. Friend the Member for Halifax (Mrs. Riordan), we will work with Yorkshire Forward and the company to see what we can do. I am glad that he also recognises the fact that we were able to provide funding to ensure that people will be employed for six months. That will help, although the situation is clearly difficult. The problem with Bradford & Bingley was that its model just did not work. It tried, as did we, right up until last Saturday to find a commercial solution—or even an approaching commercial solution—but we could not do so.

The hon. Gentleman rightly asks about shareholders. We sold the branches and transferred the deposits to Abbey Santander, and the money from that will go into the pot. However, we also had to transfer and finance some £20 billion of deposits. That amount, which is due to the Government, will be reduced in time as the assets of Bradford & Bingley are realised and mortgages repaid. I cannot say what those assets will realise, or when; it will take years to repay some of them. Some of the buy-to-let mortgages might be worth something in a few years' time, although they are not worth much just now.

I cannot say at this stage how much, if anything, will be left. I understand the position, because it is exactly the same as that with Northern Rock: people who were not big-time share dealers, but who lived locally, thought that they were doing the right thing in buying shares to support their local company, but then the company failed. We will do what is right, but at this stage it is impossible to say what, if anything, will be left at the end of the day. The bank has a lot of assets that, frankly, are not worth much at all.

Frank Dobson (Holborn and St. Pancras) (Lab): I congratulate my right hon. Friend on his steady and careful approach to this catastrophic situation and on trying to avoid it becoming more of a catastrophe. I welcome his commitment to improved regulation of the City, so that people's homes and jobs are not imperilled by banks that were so stupid in making their complex arrangements that they could not distinguish between liabilities and assets; by firms of auditors that apparently did not spot that anything was wrong; and by ratings agencies that gave AAA ratings to spurious transactions, apparently unaware of the fact that the pieces of paper involved were worse than worthless. I hope that my right hon. Friend will accept my assurance, on behalf of every Labour Member, that we will support improved regulation even if the Tory party—the political wing of the banking industry—opposes it and speaks out against regulation.

Mr. Darling: I agree with my right hon. Friend that it is necessary to have a regulatory system that is robust. As I said earlier, it is not a question of light touch versus heavy-handed regulation. We will not pursue a knee-jerk reaction, but it is important that we avoid situations such as those experienced in the US—but by no means the US alone—in which banks were able to incur substantial risks, apparently without people at the top of the bank being fully aware of just how exposed they were. Nor do we want a repeat of the situation in which regulators, who were concentrating—for understandable reasons—on solvency, did not pay enough attention to the question of liquidity. Across the world there are lessons to be learned. Changes will be necessary, and I am grateful for my right hon. Friend's support in that regard.

Mr. Kenneth Clarke (Rushcliffe) (Con): In the light of the Bank of England's statement about the special liquidity scheme and the Chancellor's statement today, is it right to assume that the Government now accept that the Treasury must support the Bank in providing just as much liquidity as is necessary on the widest possible class of assets as security for, as long as is necessary, until the money markets start to function again and inter-bank lending is resumed? It is obvious that banks will not resume lending normally to businesses or households until there has been some recapitalisation. As there is open speculation about the Government using taxpayers' money to take a stake, will the Chancellor accept that he needs to come to a decision rapidly on that issue to bring the speculation and uncertainty to an end and enable us to move towards a more normal banking system?

Mr. Darling: I agree that speculation can be harmful, which is why everyone has to be careful about what they say and when they say it. It is important that when we have proposals to make—whether on liquidity, regulation or capital—we make them as soon as possible, consistent with having proposals that are fully developed and ready to be implemented. As I said in my statement, it is also important to discuss the matter—as we did the special liquidities scheme—with the financial services industry, where appropriate, so that we ensure that whatever we do achieves what we all want, which is to begin to bring about a situation whereby we can return to sensible lending and where banks will start to lend more freely to individuals and to businesses.

In relation to the right hon. and learned Gentleman's points about the special liquidities scheme, I have always said that we have never set a cap on the amount that the Government are prepared to make available. Although the scheme will run for three years, we will keep that under review. I am determined to do everything we possibly can to stabilise the present situation and to make improvements so that we can get out of the difficulties that we face. The special liquidities scheme is an essential part of that. The right hon. and learned Gentleman can rest assured that I will do whatever it takes to ensure that it works and that it does so effectively.

Mr. Mark Todd (South Derbyshire) (Lab): Does my right hon. Friend agree that the 100 per cent. deposit guarantees by the taxpayer that appear to be on offer in some major economies—he will need to be careful with his comments on this subject—are harmful and mistaken as policy instruments in this respect? They will encourage a huge moral hazard in the banking industry unless they are backed up with incredibly intensive regulation, which will stifle innovation and growth.

Mr. Darling: As I said in my statement, it is far better—especially in Europe where so many banks have branches and subsidiaries in many different countries—that any action that is taken is taken together. I have always made it clear that countries need to do whatever they think is appropriate to look after those institutions for which they are directly responsible, but working together is very important. Ironically, the summit called by President Sarkozy in France on Saturday pledged each of the participants to working together. We need to get back to that, because it is the best way to try to resolve the matter.

Rev. Ian Paisley (North Antrim) (DUP): I am sure that the whole House will realise the very terrible times that we are in. I remember being a lad in Ulster and the soup kitchens, the poverty and the terrible happenings that took place. We must all, in our own way, do what we can to help one another to get some way through this very dark hour for our nation. I know that there are many beliefs in this House; my belief in God is well known and my religious convictions are known. I trust that our whole nation will turn in repentance and cry to God for an intervention so that the calamity will not come on our children and on the babes in their cots.

Mr. Darling: I think that I agree with the right hon. Gentleman on the need to work together. I am not as well qualified as him to comment on whether divine intervention can help us, but I think that Governments and financial institutions both have a huge role to play. Governments can make a difference and they need to make a difference, precisely to ensure not only that we stabilise the situation but that we get through it.

Nigel Griffiths (Edinburgh, South) (Lab): Will my right hon. Friend rule out a straitjacket on the Bank of England giving long-term help to banks if necessary and if it is decided on over the course of the next few weeks, months and perhaps even years? Will he also remember that when interest rates hit 15 per cent. and above, small businesses were paying 25 per cent., which is why so many of them, sadly, went bust?

Mr. Darling: My hon. Friend is quite right on that last point. We need to recall from time to time exactly what happened in the past when interest rates went way up—the consequences were devastating. That is all the more reason to ensure that we take the right action, including supporting the Bank of England. I have made it clear, as has the Governor of the Bank, that we will do whatever it takes and whatever is necessary. We will do that because it is essential if we are to ensure that money is available in future not just to individuals, to enable them to buy houses and to invest, but to businesses. British businesses depend to a large extent on their banks, and it is important that we do everything we can to ensure that banks remain in a position to lend to them, because without that lending those businesses would be in difficulty.

Mr. Iain Duncan Smith (Chingford and Woodford Green) (Con): I recognise that the Chancellor will have difficulty in answering a number of these questions, but I wonder whether I can return him to Germany's statement about protection for its depositors. At the Dispatch Box, the Chancellor mentioned, quite rightly, that our protection covers about 98 per cent. of all depositors, but he will also recognise that we have significantly more money on deposit than Germany does. The reality is that that 2 per cent. represents a very significant amount of money. What concerns me right now is that, given the febrile nature of the markets—watching little things and then panicking—if they see any flight of capital, even that 2 per cent., towards Germany, it could cause another stampede and another crisis. I recognise the Chancellor's problem about indicating what he may or may not do, but does he not recognise that that 2 per cent. alone is perhaps enough to tip over the markets if they saw a flight of that money to, say, Germany or even Ireland?

Mr. Darling: The right hon. Gentleman makes the point that I was making earlier: difficulties arise if different countries do different things at different times, and we should do our level best to try to avoid that.

Mr. George Mudie (Leeds, East) (Lab): I make a plea to the Chancellor that, when he speaks about protecting the taxpayer and depositors, he continues to include customers or borrowers. The whole House understands the importance of helping the banking and finance industry on the grounds of stability, but the sight of the same banks calling in loans to small businesses and making many thousands of good people homeless by making their mortgages unaffordable is totally unacceptable. If we are prepared to have a lifeboat for the finance industry, it should be prepared to participate in a lifeboat for its customers.

Mr. Darling: My hon. Friend makes a perfectly good point. It is important to remember when we talk about stability and the whole financial system what it actually means to people with houses or people who have businesses who depend on the ability to borrow money. In relation to people who get into difficulty with mortgages, we have been working very closely with the Council of Mortgage Lenders and others to ensure that there is a rigorous code of conduct, so that banks do everything that they possibly can to help any customer who might be getting into difficulty. Exactly the same thing applies to businesses. Of course, one of the other things that we are doing is working with the European Investment Bank to ensure that the substantial sums of money that are made available find their way through our banks into the hands of small businesses.

Mr. John Maples (Stratford-on-Avon) (Con): This is the worst problem that any Chancellor of the Exchequer has faced for a very long time indeed, and I am sure that the whole House wants to be able to support him in whatever proposals he makes to deal with it. He has done a lot on the liquidity front, but he has done relatively little, if anything, on the capital adequacy front. I urge him to address that problem fairly quickly, because such things get worse if they are allowed to drift on. I hope that he will consider the concept of supporting direct injections of capital, as opposed to what the United States did in buying bad assets at a premium in the market, which is a complicated way of doing the same thing. However, I also urge him to take another look at the Dormant Bank and Building Society Accounts Bill, which we will debate this afternoon and which will have the effect of extracting £400 million or

£500 million of the banks' safest and most solid deposits and putting the money into a reclaim fund for good causes. Could we not start by allowing the banks to convert that to some form of capital security? The reclaim fund could still hold the money and distribute it to good causes in due course. That Bill was conceived when the situation was very different from now, and I urge him that that is at least a way to start to make some form of contribution to the capital of banks and that he should propose do to that in Committee.

Mr. Darling: I understand what the hon. Gentleman is saying. Of course, the proposal on dormant assets in the Bill that we will debate this afternoon is a long-term measure, but I am sure that he will want to return to such measures, perhaps during Second Reading, and my right hon. Friend the Chief Secretary will be happy to respond.

Mr. Peter Hain (Neath) (Lab): I commend the Chancellor and the Prime Minister for their calm and authoritative leadership, but global political leaders and central bankers seem to be behind the curve, as the financial crisis spreads rapidly into the real economy. Does he agree that it is no longer simply a question of sub-prime versus prime, but about asset quality in infrastructure, businesses, commercial and other property and even car loans and so on? In addition to the special banking powers that he is taking, will he consider legislating to enable reserve powers over infrastructure—rail, vital utilities and similar things—in case they fall into serious problems, as I fear they might, so that we are not behind the curve but ahead of the game, with those powers sitting ready to be taken, perhaps involving stakeholdings, recapitalisation and other matters and procedures that might prove necessary?

Mr. Darling: I am grateful for my right hon. Friend's support, and I agree that it is important that all of us—Governments, central banks and regulators alike—keep an eye firmly on problems that might arise in future. I also agree that it is important to ensure that investment, especially in transport infrastructure, continues; I feel very strongly about that, for reasons that he will understand. That is why I am pleased that our Government have been able hugely to increase the amount of money that they are spending on transport infrastructure, and why it is important that, in what will undoubtedly be a difficult time, we ensure that investment does not suffer. Long-term investment in infrastructure is very important.

Stewart Hosie (Dundee, East) (SNP): I agree with the Chancellor that we should consider every aspect of the issue, including liquidity, capital and regulation, and I would add confidence and stability to that list. I very much welcome his saying that "all practical options must remain open to us". I understand that he will not speculate on his final plan, whether it be enhanced deposit protection, a guarantee of all sterling deposits—that is our favoured option—or an extension of the list of assets against which banks can borrow. May I recommend, as a matter of urgency, that he finalises his plan and makes a firm, detailed, comprehensive statement about the actions that the Government intend to take? Otherwise, as regards confidence and stability, the Government will be seen to be buffeted by events, and to be merely reacting. I am calling for a proactive statement and a detailed plan—a comprehensive set of measures to provide stability and confidence. Will he draw up that plan, and set it out in a single, comprehensive statement?

Mr. Darling: What I have done this afternoon is set out for the House what we have done so far, in order to provide the House with an opportunity to question me about developments over the summer. However, the hon. Gentleman is right: there are further things that we need to do, and I will come before the House to announce them as soon as I am ready to do so.

John McDonnell (Hayes and Harlington) (Lab): Does the Chancellor agree that recapitalisation when property values are falling increases the risk to taxpayers and will prove ineffective, and that we therefore need the Bank of England advisory committee to recommend a significant decrease in interest rates in its recommendations this week? In addition, recapitalisation could start the round of speculation off again, so will he assure the House that he will stand ready with plans for nationalisation of the banks, if necessary?

Mr. Darling: As my hon. Friend knows, I have nationalised two banks in the past year. Ten years ago, I would never have thought that I would be able to say that to him.

Mr. George Osborne: Or 20 years ago!

Mr. Darling: Not even 20 years ago. On my hon. Friend's point about interest rates, I do not think that I can add anything to what I said to the hon. Member for Twickenham (Dr. Cable), who speaks for the Liberals.

Malcolm Bruce (Gordon) (LD): Some of us on the Liberal Democrat Benches anticipated at least some of the problems, and were concerned about the fact that the regulatory authorities did not clamp down on the excessive unsecured credit that was put into the marketplace; that put pressure on financial services in London and Edinburgh, and it is that pressure that is causing us so much trouble.

Moving on, may I pick up on the point made by my hon. Friend the Member for Twickenham (Dr. Cable)? The Chancellor said that he thought that the remit of the Bank of England required no amendment, but can he really stand by that when inflation, which is the overriding concern, is outside the target? Does he not accept that it would be desirable temporarily to set aside the requirement on the Bank, so that the Government can deal with the crisis today? I campaigned for an independent Bank—he did not—and I believe that independence is right, but the parameters have to be right. Would it not be good to ensure a cut in interest rates, so that we can get the economy going and get banks lending again, and a cut in taxes to help people deal with rising costs?

Mr. Darling: The right hon. Gentleman may have campaigned for an independent central Bank, but I was part of the Treasury team that legislated to put the measures in place. To be fair, the Liberal Democrats have been consistent on the issue, and did support an independent central Bank. However, if they are to be consistent, they should not, for goodness' sake, ask for a change of rules when things get difficult.

Mr. Geoffrey Robinson (Coventry, North-West) (Lab): Does not my right hon. Friend agree that the Government have acted decisively and with great expediency on the issue, and will continue to do so? On interest rates, will he confirm whether my recollection is correct: is it not right that, although it will rightly be enshrined in statute that it is part of the Bank's responsibility to maintain financial stability, it is his responsibility as Chancellor to set the interest rate? It is then the Bank's responsibility to maintain that rate through the appropriate monetary and other policies. If that is the case, as I think it is, it is still for him, as an appropriate and necessary part of his normal functions as Chancellor, to set that rate. Will he bear that in mind in the months ahead, which are bound to be very difficult?

Mr. Darling: It is my responsibility to set not the interest rate but the inflation target, which is something that is done at the Budget every year. As I said, both in the House today and on previous occasions, I think that targeting inflation is important. Inflation has been a huge problem for this country in the past, and I believe that the Bank's present remit, both in relation to its inflation target and, subject to that, to its broader objectives, is the right objective.

Mr. David Curry (Skipton and Ripon) (Con): We have not seen a Northern Rock-type run on the banks—mercifully—but is the Chancellor aware that there is still huge confusion on the high street? There are a lot of people trying to shuffle money, and wondering whether they ought to do so, between institutions, to find some sort of safe haven. Should we not be grateful to building societies such as Skipton and the other five Yorkshire societies that have remained mutual societies? If I may make a suggestion to the Chancellor, perhaps he might talk a little less about systems, and a little more about people, because the anxiety spreads to every level of society, and the one question that they want answered is, "Is my money safe?" The sooner that he can answer that, the quicker we will get calm on the marketplace.

Mr. Darling: I agree with the right hon. Gentleman that what matters is people, and one reason why the FSA, with our strong support, increased the upper end of the compensation limit to £50,000 for an account holder was precisely to provide additional security, which is very important. He made a point about building societies, especially those that did not demutualise, and I understand why he did so, because I think that I am right in saying that all the building societies that demutualised have either been taken over or, sadly, are no longer with us.

Sir Stuart Bell (Middlesbrough) (Lab): The Chancellor of the Exchequer touched on this briefly, but may I congratulate the Prime Minister on his initiative in Paris at the weekend, in saying that the European Investment Bank should release £12 billion to £14 billion to the small and medium-sized business sector, with a further £12 billion to £14 billion coming later on? Building on the Chancellor's response to my hon. Friends the Members for Edinburgh, South (Nigel Griffiths) and for Leeds, East (Mr. Mudie), is not this sector the most important sector in the country, and can we say, building on the point made by the shadow Chancellor, that if the banks are not lending to one another, at least they should lend to that sector at reasonable rates?

Mr. Darling: I strongly agree with my hon. Friend. It is important that small businesses in particular, as well as other businesses, can get access to the money that they need. The initiative to which the Prime Minister referred at the weekend from the EIB is very important. I had discussions with its managing director a couple of weeks earlier in France, and it is important that that money is not only released, which it will be, but that businesses in this country can get it through the banking system. I hope that we will have something to say in the not too distant future that will help with that.

Mr. Peter Lilley (Hitchin and Harpenden) (Con): Does the Chancellor agree that guaranteeing all deposits, although it may well prove necessary, is at best a sticking plaster, not a cure for the underlying disease, which is that the value of loans made by banks, and even more of the collateral that they have accepted, has fallen below their obligations and their ability to meet them from reserves? If he is not to have to make that good himself, he must provide incentives for those banks to raise new reserves. Will he consider guaranteeing the proportion of reserves newly raised from this date in the event of any subsequent reconstruction in which the state is involved?

Mr. Darling: The right hon. Gentleman is right. If we look at the fundamental causes of the problem, we see that banks took on risks that either they did not evaluate or, if they did, they did not take enough steps to ensure that they could withstand any fall in assets. That is something that we need to look at, and it is something that the regulators need to look at.

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): Will my right hon. Friend accept my congratulations, as the constituency MP for many Halifax Bank of Scotland employees? We were grateful for the work that the Prime Minister and he did in arranging a marriage between HBOS and Lloyds TSB, but on reflection, would it not have been a better option to part-nationalise HBOS to keep its integrity and independence and to keep the jobs, rather than creating a vast monopoly—a third of the market—which will come back to haunt consumers and those of us who represent Yorkshire constituencies? The bank is, after all, the largest private employer in Yorkshire.

Mr. Darling: I am very aware of the importance of HBOS as an employer in Yorkshire, but if it is possible to reach a commercial solution to problems, that is by far the best route to pursue. A commercial decision was taken by HBOS and Lloyds TSB. Yes, we intervened to waive the competition rules that would otherwise have stopped it, but as I said in relation to Northern Rock a year ago—at that time many people believed that the best option was to try to find a commercial solution, but it did not work at the end of the day—one day even Northern Rock will have to be returned to the private sector. I do not think the Government can run banks particularly effectively, and I do not think that is desirable. If we can get a commercial solution in relation to these matters, that is far better, and it is what is proposed in this particular case.

Sir Peter Tapsell (Louth and Horncastle) (Con): Has the Chancellor studied the history of the Japanese economic crisis of the 1990s, where the failure of that Government to reduce interest rates in a timely manner led to a prolonged recession, which lasted for a decade?

Mr. Darling: Yes, I have, and yes, I am aware of that. Thank you.

Harry Cohen (Leyton and Wanstead) (Lab): The Chancellor told me in the summer that he had regular secret meetings with the top bankers. They seem to be coming with a begging bowl, which has been rewarded with massive liquidity. What has he got from them in return—for example, to deal with the fat-cat bonuses and pay-offs that they have had?

Mr. Darling: I do not think I told my hon. Friend that I had secret meetings with the bankers. If I did, it clearly would not have been a secret any more. It is no secret that I meet people from the banking industry on a fairly regular basis. Indeed, people would be surprised if I did not. On my hon. Friend's other point, yes, of course there is concern about the way in which employees were paid or incentivised. Many people are concerned that employees were paid bonuses to take on risks which, it turned out, did not just put the individual employer or their bank at risk, but put everybody else at risk at the same time. That must change.

Susan Kramer (Richmond Park) (LD): Does the Chancellor agree that without in any way compromising the independence of the Bank of England, he could put into abeyance the inflation target for a period, and therefore allow the bank to take the steps necessary to prevent the present crisis from spilling over into the rest of the economy? Our experience so far has shown that the idea that financial crises could be contained is holed below the waterline, and that the inevitable consequences of not stemming overspill will be detrimental to just about everybody in the country.

Mr. Darling: I do not agree with the hon. Lady. As I have said before, the remit given to the Monetary Policy Committee is wide. It was designed for the good times as well as the more difficult times. To chop and change it would undermine the idea and principles that underpin the concept of an independent central bank.

Mr. Frank Field (Birkenhead) (Lab): How are the Government measuring the danger to the British economy if, when trying to pursue a policy across Europe, we find that we are, for example, the last Government to offer 100 per cent. guarantees to individual savers with deposits in British retail banks? Will he give a guarantee that we will not find ourselves in that position?

Mr. Darling: We are not in that position. I said earlier that if action is taken, there is much to be said for having a discussion about these matters and acting in a way that avoids the distortions that I referred to. That is one of the things that we will be discussing tomorrow.

Mr. Brian Binley (Northampton, South) (Con): The Chancellor may not know, but I can tell him that many small businesses will be disappointed with his statement today. They are facing increasing debt, including massively increased bad debt, and are under tremendous cash-flow pressures. They go to their banks, but their banks are not being helpful; in fact, they are increasing interest rates. Will the Chancellor give the small business sector some confidence today, by saying that he will go to the banks and ensure not only that small businesses get their fair share of the guarantees being given, but that banks will cut interest rates to them?

Mr. Darling: I think that I have said on a number of occasions this afternoon that there is concern in all parts of the House about the impact that the credit crunch is having on businesses. That is why it is important that banks and Governments act together to try ensure that we help small businesses, whether directly or through the European Investment Bank or other such measures. That is what I want to do.

Jim Cousins (Newcastle upon Tyne, Central) (Lab): Does the Chancellor recognise that the markets are in a panic because the authorities are seen to be losing control of events? The right place for the risks of a rescue is not the balance sheets of national Governments, which are there to help the less well-off, not the super rich. Tomorrow he must go to Europe and get a Europe-wide run-off and rebuild facility that can really bear the strain of events and put the authorities across Europe back in control of the situation, not running constantly behind.

Mr. Darling: I agree with my hon. Friend that it is important for Governments not just to deal with day-to-day events, but to anticipate them and try to restore the calm to which he referred. That said, there are some things that can be achieved on a Europe-wide level, but there are other areas where that might prove more difficult. He may be aware that the Dutch Government came up with a proposal for a pan-European solution that, as far as I can see, has not attracted a great deal of support from the rest of the European Union. However, it is important that if we can take action together, we should do so. If that is not possible, we should redouble our efforts—our Government and other Governments of like mind—to ensure that we do precisely what he suggests: to anticipate and deal with some of the problems that we know are there or which are coming towards us.

Sir Patrick Cormack (South Staffordshire) (Con): As we address such issues in this place, should we not bear in mind that the crisis has been exacerbated because, during the summer, people in high places consistently forgot that there is no situation that is not made worse by panic?

Mr. Darling: I think I agree with the hon. Gentleman, so I will leave it at that.

NEW MEMBER

Mr. Speaker: Will Members wishing to take their seats please come to the Table?

The following Member made the Affirmation required by law:

John Fingland Mason Esq., for Glasgow, East.

Orders of the Day

Dormant Bank and Building Society Accounts Bill *[Lords]*

[Relevant documents: The Eleventh Report from the Treasury Committee, Session 2006-07, Unclaimed assets within the financial system, HC 533, and the Government response, HC 1028, Session 2006-07.]

Order for Second Reading read.

4.38 pm

The Chief Secretary to the Treasury (Yvette Cooper): I beg to move, That the Bill be now read a Second time.

I thank my hon. Friend the Member for Burnley (Kitty Ussher), the former Economic Secretary, for all her hard work in developing the Bill and supporting its progress, and welcome to the Treasury Bench my hon. Friend the Member for Dudley, South (Ian Pearson), the new Economic Secretary, who will be taking the Bill through Committee.

The Bill implements the commitment in the Labour party's 2005 manifesto to channel unclaimed financial assets back into the community. It has already been through the other place, where it received broad cross-party support as well as extensive debate, and I hope that we will see that cross-party support continued here. The purpose of the Bill is to enable what are effectively lost assets to be put to use in supporting the community while ensuring that, should their former owners discover them again, they can still get them back.

We begin our deliberations in this place in a rather different financial climate from that in which we started, and I am sure that the changing circumstances will form part of our deliberations here and in Committee. The hon. Member for Stratford-on-Avon (Mr. Maples) has already raised this matter with the Chancellor today, in the course of the discussions on the statement. It is important to recognise that the Bill is not about tackling today's market conditions; it is about the future, and about laying the foundations for a scheme that will be in place in mid-2009 at the earliest. The scheme will be voluntary, and it has been brought forward with the full support of the industry.

Mr. John Maples (Stratford-on-Avon) (Con): The point that I was making earlier was that, although the Bill is well conceived—I have no objection to the idea of taking dormant deposits and spending them on good causes—it was, as the Chief Secretary has acknowledged, conceived in a very different banking environment. One of the problems that the Chancellor is trying to deal with is the capital adequacy of the banks, and there will probably be a need for some public sector injection in that regard. Between now and the Committee stage, will the Chief Secretary consider whether it would be sensible to allow this money to be used temporarily for that purpose, so that the reclaim fund would own shares—be they convertible notes or preference shares in the banks—that could buy capital for the banks? In due course, when the banks' situation has improved, the reclaim fund could then sell the securities or redeem them in order to use the money for good causes. In the meantime, however, I think that the public will find it odd that we are going to take £500 million off the banks to spend on good causes, when it could be used to bolster their balance sheets.

Yvette Cooper: I hear the point that the hon. Gentleman is making. First, the Bill will not come into force until next year and it will obviously take time to set up the reclaim funds, so his proposals would not address the current market conditions that the banks are facing. Secondly, this will be a voluntary scheme, so it will be for the banks and building societies to choose to participate. In the discussions that we have had with the British Bankers Association and the Building Societies Association, they have made clear their continued support for the scheme, and said that they are continuing to encourage their members to participate and believe that they are keen to do so, even in the current market conditions. It is also important to recognise that the assets and liabilities will both be transferred to the reclaim fund, which will obviously have a rather different outcome in regard to the impact on the capital position. As I have already said, however, the changing climate and the credit crunch will obviously be part of our deliberations in Committee in regard to lessons that can be learned to ensure that we get the detailed legislation right.

I would also like to point out that, according to the banking sector, the banks estimate that their dormant assets represent less than 0.07 per cent. of the £535 billion held in retail banking and savings by the UK's nine largest groups. Although that is a small proportion of their retail banking, that money could make a real difference to projects in the community.

Mr. Peter Bone (Wellingborough) (Con): Will the Minister confirm that that figure is £5 billion, which is not chickenfeed? Can she tell us when she was given the advice by the banks that they were happy to proceed with this plan? Was it given in the past 24 hours, or is it two weeks old?

Yvette Cooper: No, it is not £5 billion; that would be 1 per cent. of £535 billion. I was talking about 0.07 per cent., the figure in the banks' estimates. Also, may I again make it clear that this will be a voluntary scheme?

The banks estimate that they have between £250 million and £350 million in accounts that are lying dormant and have been untouched for more than 15 years, and sometimes much longer. The building societies estimate that they have a further £130 million in the same position. The evidence shows that some people forget about or lose track of often small deposits of money in bank or building society accounts—perhaps because they changed address or lost contact with their banks, or because the account holder has died without anyone being made aware of the money.

Susan Kramer (Richmond Park) (LD): The Chief Secretary will be aware that many of these dormant accounts are, in fact, owned by charities, having been left to them through legacy. However, there are very few mechanisms for identifying the accounts and reclaiming the money. Will she bring in some structure that will enable them to do so under the legislation?

Yvette Cooper: The hon. Lady is right that we should do everything possible to reunite the money with the original account holder, whether it be a charity, an individual or whatever. That is an important part of the

legislation. Customers always have the right to reclaim their money, but we also think it important to make a concerted effort to reunite account holders with their lost money before the scheme comes into operation. We have encouraged the financial services to do that and we welcome the launch by the British Banking Association, the Building Societies Association and National Savings & Investments of the "mylostaccount" website in January this year. More than 175,000 people have already used this free cross-industry service to reunite themselves with tens of millions of pounds. It is an important part of the scheme.

Tom Levitt (High Peak) (Lab): My right hon. Friend has three times mentioned that the scheme will be voluntary. Is she aware that the National Council for Voluntary Organisations, the Treasury Select Committee and others have been very sceptical about the effectiveness of a voluntary scheme, given that the five or six such schemes already operating around the world are all done on a mandatory basis and they clearly produce a far higher return for good causes than would any voluntary scheme?

Yvette Cooper: I recognise my hon. Friend's point, but the scheme that we are proposing has strong support from the industry and both banks and building societies have said that they intend to participate in it. That is encouraging, which is why we have set out the Bill in this way, but we will need to review the situation over time, to monitor the scheme's progress and to look into what further support may be needed.

Three principles have informed the Government's approach: first, that the preferred outcome should, where possible, be to reunite account holders with their money; secondly, that account holders must have the legal right to reclaim their money at any time; and thirdly, that the scheme should be designed to run effectively and efficiently in order to maximise the money available for reinvestment in the community.

The scheme will allow eligible banks and building societies to transfer money in accounts that have lain untouched for at least 15 years to a so-called reclaim fund. By making the transfer, the liability to repay the account holder will also pass from the bank to the reclaim fund. Any money that the reclaim fund does not need to meet the claims of customers will be passed over for reinvestment in the community via the Big Lottery Fund.

The scheme aims to capture genuinely lost accounts. That is why we have set the dormancy period at 15 years. Some people have argued that it is too long, but we still think that it is appropriate. We will, however, bring forward an amendment to enable this period to be made longer or shorter in future if the evidence shows it to be appropriate, as it is important to ensure proper protection for account holders.

James Duddridge (Rochford and Southend, East) (Con): How confident is the Minister in the figures provided by the British Bankers Association and the Building Societies Association, particularly given that *The Times* was reporting up to the end of 2006 that the amounts involved in dormant accounts could be up to £20 billion? Are the figures given by the Minister for a 15-year dormancy or is there an aged analysis of dormant accounts from a more recent period—perhaps with a three-year dormancy? These will effectively be brought in over time.

Yvette Cooper: We have said that we view 15 years as the appropriate period, so it is not our intention to reduce the dormancy period. The reason for bringing forward an amendment is in order to respond to points made in the other place and as part of the consultation to the effect that there should be greater flexibility and no need to return to primary legislation if certain evidence arises. That will be a matter to discuss in Committee—as I have said, an amendment will be brought forward—but we believe that 15 years is the appropriate period.

The figures that I cited from the banks and building societies are obviously the best that we believe are available. Clearly, they are estimates and different ones will be put forward, but it is right to work on the basis of what we believe to be the best figures available. This will need to develop over time as the reclaim fund is established and it becomes clear what sorts of account can be transferred into the scheme. We will have to look at the evidence as things develop. That is why it is right that there should be some kind of review of the scheme as it progresses.

In the other place, the Bill was also amended to require banks and building societies to consider any customer-initiated activity, such as correspondence, telephone calls, voting at annual general meetings and so on, when determining whether an account is eligible for the scheme. We recognise the intention behind that amendment because, of course, we would expect banks and building societies to do exactly that, but we do not currently believe that it is necessary to legislate on that point.

Sir John Butterfill (Bournemouth, West) (Con): I must declare an interest as a trustee of a number of charities. In particular, the People's Dispensary for Sick Animals, of which I am a long-standing trustee, has expressed concern about using the Big Lottery Fund to identify worthy causes, first, because it is an expensive mechanism and, secondly, because its record in choosing good causes is perhaps not as strong as it might be, given that, on occasion, it has been used for purposes that might otherwise have been funded by the Government. Will the Minister reconsider using the Big Lottery Fund?

Yvette Cooper: We think that the Big Lottery Fund is the appropriate organisation. It is important that we use an existing body to do this, rather than create duplicate organisations, which would increase the cost of distributing the money when our priority should be to get the resources to local schemes and, in particular, the young people who could benefit from this proposal.

We think that the Big Lottery Fund has the capacity to distribute resources on a large scale. Obviously, the issue will be discussed further in Committee, but the Big Lottery Fund also has access to an extensive network of third sector and public sector delivery partners, ranging from the large national charities to local community groups. Therefore, we think that it represents the best way to distribute the money and to get the best value for it by using it effectively.

May I complete the point that I was halfway through when I took the intervention? On the issue of the amendments made in the other place, the ultimate safeguard for customers is that they will be able to get their money back at any point from the reclaim fund,

[Yvette Cooper]

via their own bank. We believe that there are also some drafting and legal difficulties with that amendment, which is why we shall seek to overturn it.

Simon Hughes (North Southwark and Bermondsey) (LD): I am very supportive of the proposal in the Bill, not least because many of my constituents and organisations in south London see the opportunity for money to come in to help work with young people.

When a group of young people and their organisations came together the other day following the knife crimes that have happened in London, one of the questions that they asked me to ask is whether money can come in and whether it is the Government's plan not just to create new buildings, but to support existing organisations that could do with expansion or additional resources to do the good work in the community that the community needs them to carry out. If so, can we come to see somebody about that—which Minister is it?—to put the case for existing organisations to be supported, not just for new work to begin?

Yvette Cooper: Treasury Ministers will be happy to meet the hon. Gentleman to discuss his point further. Obviously, some of those issues will be for the Big Lottery Fund to set out as part of its distribution, but it probably is important that during consideration of the Bill we have a good debate on how the resources should be distributed.

The hon. Gentleman would probably agree with me and any other Member of the House who has conducted any kind of local community consultation that one of the key issues on which we can get young and old alike to unite is the need for more facilities for young people and for more for them to do in local areas. That can have benefits not just for those young people, but right across the community. That is why it is so important that we should look to access and use those resources to build a stronger future for young people as well.

David Taylor (North-West Leicestershire) (Lab/Co-op): It is important not to double count in relation to the possible impact on charities in constituencies such as that of the hon. Member for North Southwark and Bermondsey (Simon Hughes). The figures suggest that the biggest 12 banks and building societies currently give more than £300 million a year in their own charitable donations. Does my right hon. Friend have any indication of the possible impact on that level of giving if banks and building societies lose control of and access to their dormant assets?

Yvette Cooper: I do not believe that the measure will reduce the amount that banks and building societies can contribute to different charitable works. There are two things to consider. First, the Bill allows both assets and liabilities to be transferred. If the banks or building societies continue to hold the assets, they also continue to hold the liabilities on the dormant fund, which could limit what they can do as a result. Secondly, the scheme is voluntary. It is a way of ensuring that building societies and banks do what they think is right in terms of accessing the assets and putting them to good community use.

Miss Julie Kirkbride (Bromsgrove) (Con): It is important to remember that the money does, or did, belong to someone and that some of it might have belonged to people who have died and left legacies. A group of charities has asked for a reserve power to be included in the Bill. The charities are worried that they cannot trace the money that they have been left in a legacy because it is too difficult under the current online registration scheme to know when people have changed names or houses. We should bear it in mind that they are asking for something not for today but for the future. If, in three years' time, Parliament considers that not enough progress has been made in attaching legacies to the relevant charities that would benefit from them, the Government will have to come back to the House with primary legislation. Will the right hon. Lady consider including a reserve power in the Bill so that we do not have to do that?

Yvette Cooper: We have not so far seen the need to include additional support. Obviously, we are happy to consider further issues in Committee. This is a Bill that should command cross-party support. We are happy to continue to look at the issues. As has been said, this is about where possible reuniting the resources—the money and the assets—with those who originally put them in the account or, if they have died, respecting any legacies or wills that they might have set up. Clearly, that is an important part of the approach to the Bill, but equally we have to recognise the existence of dormant assets, which have often sat in accounts for many decades, and put them to good use.

The reclaim fund will receive money from dormant accounts. The Bill does not create a reclaim fund, but it sets out the requirements that a company must meet in order to operate as one and provides for its authorisation and regulation by the Financial Services Authority. The FSA will ensure that the reclaim fund has sufficient money to meet anticipated levels of claims for repayment and will set out a regulatory regime, which will of course be subject to full consultation as well. The Bill requires the fund to meet repayment claims, manage money prudently, and transfer surplus funds to the Big Lottery Fund for distribution. It also allows the fund to cover reasonable running costs.

The Bill was amended in the other place to make a reclaim fund accountable to Parliament. We strongly agree that the fund should function transparently and the Bill requires it to publish key information about its operations, but we do not believe that it is sensible for a private company to become accountable to Parliament in that specific way. Therefore, having considered the issue, we will propose further amendments in Committee to improve the transparency of the arrangements and to respond to some of the concerns raised in the other place.

Mr. Graham Stuart (Beverley and Holderness) (Con): The National Consumer Council has said that not enough effort is made by banks to reunite dormant accounts with their holders, and a major campaign is required in that respect. Is the right hon. Lady confident that enough is being done by the banks to ensure that that happens?

Yvette Cooper: The banks set up the new "mylostaccount" website in January this year which has helped more than 100,000 people to get their money

back. It is always important for us to urge banks and building societies to do more and to do whatever they can. However, the ultimate and hugely important safeguard for people is that they will also be able to get their money back from the reclaim fund.

Mr. Mark Hoban (Fareham) (Con): The Chief Secretary spoke of reversal of the Lords amendment relating to the parliamentary accountability of the reclaim fund, but she forgets that the Treasury has power to give direction to the company that sets up the fund. In view of that, I think it important for there to be some parliamentary accountability.

Yvette Cooper: Clearly the Treasury is always accountable to Parliament for the use of its powers, but I think we should bear in mind the complexities involved in an attempt to establish parliamentary oversight of a private company, as opposed to parliamentary oversight of the Treasury and its decisions. We will propose further amendments to respond to some of the points made in the other place. We do not think that the way in which the Bill currently deals with the issue is satisfactory.

Account holders will experience no practical difference in the way in which they are treated as a result of the scheme. Banks and building societies will act as the reclaim fund's agents, and on validation of their claims account holders will be repaid in full by their banks. That will include any interest that is due.

The case was made in the other place that the Bill should require a triennial review of the scheme. We feel that we must ensure that the scheme is working simply and fairly, and we think it right to review it once it is up and running; however, we do not think it right to require triennial reviews in perpetuity to be included in the Bill. That issue will also feature in the discussions in Committee.

As I said earlier, we need to ensure that the money raised is distributed fairly throughout the United Kingdom to deliver practical programmes that will bring about real change to neighbourhoods and benefit a diverse range of communities. As we said in the pre-Budget report, the Government intend the resources, in England, to be focused on youth services, financial capability and inclusion. Investment in young people is investment in the future of the whole community, while raising the levels of financial capability and inclusion across the population can help people to make the right financial choices to support themselves and their families. In addition, following consultation, we should like a proportion of the available assets in England to be invested in the long-term sustainability of the third sector, if resources permit such investment.

The spending areas in England are set out in the Bill. Following the model used for the national lottery, the Bill also empowers the Secretary of State to identify particular priorities within the spending areas that must be taken into account in the distribution of assets. We believe that the approach should follow the precedent of the national lottery spending directions, rather than some of the proposals made in the other place. Scotland, Wales and Northern Ireland will determine their own spending areas, which will reflect the needs of communities in each country.

Mr. David Drew (Stroud) (Lab/Co-op): I welcome the boost that the scheme will give youth services, but what many of those services need in particular is an asset base. A straight revenue grant will be of no use, because it will merely postpone some of the problems. Can we be creative in the way in which the lottery is asked to provide funds? Surely providing that asset base is the most appropriate use of the funds.

Yvette Cooper: My hon. Friend is right. We need to ensure that the funds are used to provide sustainable support for young people in particular areas, rather than short-term support that cannot be replicated in the future. Further consultation and discussion will be needed on exactly how that should be done, and I hope that we can take my hon. Friend's points on board at that stage.

Tom Levitt: Will my right hon. Friend give way?

Yvette Cooper: I will, for the last time. I want other Members to have a chance to speak.

Tom Levitt: I am grateful to my right hon. Friend for giving way, and also for her answer to my hon. Friend the Member for Stroud (Mr. Drew), but will she consider again how the help will be focused? Will the Big Lottery Fund be able to operate proactively in geographical terms? For instance, will it be able to target resources on areas where there is great need but little capacity for making bids, and where awareness of the fund may be low?

Yvette Cooper: My hon. Friend makes an important point. We want to ensure that the resources are distributed fairly across the country and that those areas which might have less capacity or expertise to access the funds do not lose out unfairly as a result, so we would certainly be keen to take on board those points in terms of the way the distribution mechanism operates.

Finally, I wish to make the point that we have in the Bill introduced the provision that small financial institutions, particularly building societies, should be able to operate alternative arrangements where they play an important role in their local communities and want to be able to distribute dormant account money to local charities. These alternative arrangements will allow the reclaim fund resources to be returned to the bank or building society for distribution to local charities. We had originally proposed that in order to qualify for this alternative scheme an institution must have total assets of £7 billion or less. Amendment in the other place makes the option available to small banks and all building societies. In fact, the vast majority of building societies were covered by our arrangements. We have listened to the arguments for the inclusion of big building societies, but we do not believe that the expansion of the alternative scheme is desirable. We believe that the larger financial institutions serving wider communities across the country should take part in the main scheme to ensure that resources can be distributed fairly and strategically across the country to meet the priorities discussed in this House. Therefore, we will bring forward amendments in Committee to focus the alternative scheme on the ability of small institutions to support their local communities.

Martin Horwood (Cheltenham) (LD): Is not the Chief Secretary being a little disingenuous when she talks about the vast majority of building societies being covered, because some 83 per cent. of the assets of the building society sector are with the big seven, so she is really talking about taking away the independence of those building societies to distribute the funds as they see fit?

Yvette Cooper: I do not think this is remotely about taking away the independence of the building societies. The building societies have the ability to have their own charitable support schemes and programmes operating in their areas and to use their assets accordingly, and many of them do have such schemes. This is about using parliamentary legislation in order to be able to access dormant assets by allowing them to transfer the liability as well as the assets to a reclaim fund. The hon. Gentleman is right that there are a lot of resources in the large building societies, and those building societies should be part of the main scheme. What we are trying to do is help the smaller building societies—of which there are many across the country. Where they are very much embedded in a particular local area or community, that should continue to be supported. However, where the larger building societies can serve much wider communities, we believe they should be part of the wider scheme which involves the banks as well.

This Bill offers an historic opportunity to unleash the potential of the money in the dormant bank accounts in order to deliver social benefits. It does so while maintaining strong support for protection for consumers and for ensuring that they can continue to have their rights respected—and, where possible, for them to be able to get access to their money as well. This is a big opportunity, and a long-term programme to help support improved youth services and other social benefits across the country, and as such I commend it to the House.

5.8 pm

Mr. Mark Hoban (Fareham) (Con): It has been six years since the Government first raised the prospect of using money from dormant accounts for good causes. Since the Government published their consultation paper on the Bill, we have had three Economic Secretaries—I am glad to see that the third is in his place—and it has been eight months since the Bill had its First Reading in the Commons, and I suspect that even now it will be at least a year, if not longer, before the money will start to flow. However, in that time, the scheme has changed so that now, rather than charities benefiting directly, the money will be spent at the direction of the Government in line with the priorities they set out in the Bill and, as a number of interventions have indicated, the amounts involved have shrunk. The unclaimed assets register suggested there was about £8 billion split between bank accounts and National Savings & Investments. The current estimate from the Building Societies Association and the British Bankers Association is that there is about £400 million to £500 million from banks and building societies to be used in the scheme. Clearly, the effectiveness of the operations to reunite customers and their accounts will reduce those amounts, so, although the amounts involved are still significant, the scaling down of the estimates does lead, as I shall mention later, to some difficult issues regarding the distribution of the assets.

However, an important prior step to the process set out in the Bill is to ensure that banks and building societies take action to clean up their records, and try as far as possible to reunite customers and their dormant accounts. I am aware from my conversations with the sector that banks and building societies are taking steps to do that. For example, Lloyds TSB announced in June that it is appointing a company to help trace the holders of dormant bank accounts. HBOS has united £18 million sitting in dormant accounts with its customers, with another £29 million left to trace through. According to the BBA, some £50 million has already been reunited with its rightful owners.

In addition to the efforts of individual institutions, there has been a collective effort through the website mylostaccount.org.uk, which provides bank, building society and National Savings & Investments customers with a single point of contact for tracing accounts. Since its launch on 30 January 2008, more than 140,000 people have submitted search forms for money left unclaimed in dormant accounts. That compares with 44,000 claims in 2007 via the separate tracing services for the BBA, the BSA and NS&I. That demonstrates that the focus on reuniting has led to an increase in interest in the matter, and more customers clearly are trying to track down their unclaimed assets.

I want to address the concerns that a number of Members have expressed about charities. Charities represented by the Unclaimed Assets Charity Coalition have set out a very important case—they believe that they would be unable to unlock money sitting in dormant accounts where they are the residuary legatee. They have argued for a central register of accounts that they could use to identify accounts that they believe belong to them, and that a reserve power should be included in the Bill. I can understand their arguments and have some sympathy with them, but such a power goes beyond the voluntary approach that forms the basis of the Bill. However, clause 12 provides them with an important safeguard, as the triennial review explicitly refers to the right of a charity to receive money due to it under the terms of a will. That is an important safeguard, and I hope that that transparency will encourage banks and charities to work closely together on making sure that they have access to those dormant accounts. However, it will be interesting to see how the debate plays itself out in Committee.

It is imperative that, within the constraints of the scheme, there is a robust exercise to reunite customers with their money. If the process is robust, there will be much greater certainty that money transferred across to the reclaim fund relates to genuinely dormant accounts and is therefore less likely to be subject to a reclaim. The Bill before us sets out a legal framework for a voluntary scheme to enable money sitting in dormant accounts to be used for the public good, while ensuring that those who rightly own those assets are able to recover them. The Bill has four essential components: one relates to the question of how we know when an account is dormant, the second extinguishes the liability on the bank's or building society's balance sheet when the asset is transferred to the reclaim fund, the third establishes the proper legal framework for the reclaim fund and its functions, and the fourth relates to the allocation of amounts transferred from the reclaim fund to the Big Lottery Fund and to the spending priorities identified in the Bill. However, I want to explore some issues that flow from those steps.

Although there has been a great deal of discussion in recent years about the use to which unclaimed assets in a range of categories can be put, those assets are there

to meet liabilities—there is a debt due to a customer, a pension to be paid out or a life assurance policy to mature—so in any scheme it is vital that the record of liability be retained, even if the liability itself is legally removed from the institution's balance sheet. It is therefore important that, once that liability has been extinguished from the balance sheet, there is a reserve in the reclaim fund to pay out to customers who come forward to reclaim their money.

One of the fund's priorities is to build up sufficient reserves to cover future claims, yet there is a countervailing pressure to transfer as much money as possible from the reclaim fund to the Big Lottery Fund for distribution. Too few reserves will leave the fund and potential claimants exposed. In the event of a fund's being unable to meet all its claims, customers will be covered by the financial services compensation scheme, but that is not a green light for the reclaim fund to be imprudent in how it operates. I am also conscious of the fact that if too little money is distributed to the Big Lottery Fund and to the spending priorities, there would be pressure from the potential beneficiaries, and perhaps the Government, for more to be distributed.

I come back to my intervention on the Chief Secretary, because the Bill gives the Treasury the right to give directions to the reclaim fund. I would be grateful if the Economic Secretary's response could explain how those powers might be used, because a conflict of interest is involved: the Treasury has a role not only with regard to the reclaim fund, but as one of the departmental sponsors of one of the spending priorities—financial inclusion. How does he believe the Treasury will help the fund to strike the right balance between protecting the interests of customers and ensuring that the right moneys flow through to the spending priorities?

Given the important role of the reclaim fund and the need for public confidence in its work, we support the amendments tabled in the Lords to require the accounts of the reclaim fund to be laid before Parliament. I am sorry to hear that Ministers are seeking to remove those provisions in Committee. We will clearly have a debate about that, because it is important to recognise that although the reclaim fund is a private body in terms of its constitution, it is clearly not just a private body. The Bill provides for the Treasury to give direction to it and, as such, one would expect the levels of transparency and accountability to go beyond those applicable to a conventional limited company.

Once proper protection for customers has been established, the next stage is how to use the money. As the Chief Secretary has said, the Bill distinguishes between two sources of these funds: building societies and small banks, and large banks. The money from large banks will go to the Big Lottery Fund, and I shall return to that matter in a moment. The Bill, as drafted, allows for building societies and small banks to allocate the amount from dormant accounts, over and above that needed for the reclaim fund to protect its customers, to be allocated through their own charitable foundations, reflecting the strong links that exist between building societies and the communities that they represent.

David Taylor: The hon. Gentleman has mentioned that two sources of dormant assets may produce the financial flows that we have heard described today, but there are also comparable sums of dormant assets in insurance policies and, in particular, in NS&I. The Treasury Committee recommended that, in respect of equity, NS&I assets should be treated in the same way as those of banks and building societies. The Government have refuted that by saying that NS&I's unclaimed assets are used for the community benefit anyway, but as a quid pro quo for not having its dormant assets liable for this type of activity should not NS&I at least invest much more activity in promoting the existence of arrangements for people to identify whether there are NS&I unclaimed assets to which they might be entitled?

Mr. Hoban: The hon. Gentleman makes two important points, the second of which I shall deal with first. NS&I has made some progress in reuniting customers with their assets—that is an important step for it to take. We put pressure on banks and building societies to do that, so we want NS&I to undertake the same process of ensuring that customers to whom this money belongs are reunited with their assets.

The hon. Gentleman's first point was about the Bill's scope, which is narrow; it focuses primarily on banks and building societies. The Treasury Committee put forward a clear argument for including NS&I in the Bill, and I was not entirely convinced by the Treasury's arguments as to why NS&I should be excluded from its scope. The suggestion was almost made that NS&I customers should not take their money out of NS&I savings products at all because that would force the Government to find new customers for those products. I did not think that it was the most robust argument that we have heard from the Government as to why NS&I should be excluded from this process. Clearly, NS&I customers are entitled to the same degree of support in identifying their assets as customers of banks and building societies. We would expect a public body to be as good as, if not better than, banks and building societies in that respect.

The Chief Secretary made an argument about the exclusion of large building societies from the scope of the Bill. Many of them have strong local ties, but they are also mutuals. We are not talking only about money from their customers, but about money from their members. Some of the larger institutions feel that the Government have overlooked that element of their mutuality in trying to reverse the amendment made in the House of Lords. Account holders have a different relationship to their building societies from that which bank account customers have with commercial banks. I expect that we will have a long and healthy debate about whether that approach is appropriate.

Once money from large banks has been transferred to the reclaim fund, and reserves have been put to one side for reclaims, the Big Lottery Fund will be the distributor to the three causes identified in England—youth services, financial inclusion capability and social investment—and the devolved Administrations will decide their own priorities for their share. We welcome the priorities set for England, but the Bill is silent on how those priorities will be ranked. I would be grateful if the Economic Secretary, when he winds up, could

[Mr. Hoban]

explain a little more about how the money from the reclaim fund will be used and how the priorities will be set. Will a fixed proportion of the funds go to each of the three causes? Does the order in the Bill reflect the order of priorities? Will a fixed monetary sum, rather than a proportion, be allocated to each cause? Who will determine the allocation between the various priorities? The Bill makes frequent reference to the Secretary of State, but given that the priorities cover three Departments—the Department for Children, Schools and Families, the Treasury and the Cabinet Office—and the Big Lottery Fund itself is accountable to the Department for Culture, Media and Sport, to which Secretary of State does the Bill refer? We need some clarity—[*Interruption.*] The Economic Secretary says that the DCSF is the lead Department, but how can people who are operating in the area of financial inclusion, or social investment wholesalers, be sure that their priorities are getting a proper hearing from the Secretary of State for Children, Schools and Families? We need to bear in mind that co-ordination issue, and it is odd that a Secretary of State with a particular interest in one of the priorities should take the lead. We will need to explore that.

On the issue of the causes, we must express some sympathy for Sir Ronald Cohen and the Commission on Unclaimed Assets. It must have thought that when Sir Ronald, the chairman of commission, who was so close to the then Chancellor—now Prime Minister—suggested that money from unclaimed assets should go to a social investment bank, the recommendation would have been accepted. However, that was until the then Economic Secretary—now Secretary of State for Children, Schools and Families and an even closer ally of the Prime Minister—pulled rank and put two of his own pet projects in the list of priorities. He added youth services, in a nod to his future job, and financial inclusion, which was one of his priorities as Economic Secretary. That means that it is not clear whether sufficient funds will be available from this exercise to provide the sort of contribution to a social investment bank that the commission thought was necessary. It said, in its initial report, that there should be initial capital of £250 million and an annual income of £20 million for the next four years. Given the way in which the funds available for distribution appear to have been scaled down over time, it is not clear whether that ambition can be met.

Pete Wishart (Perth and North Perthshire) (SNP): Would the hon. Gentleman like to congratulate the Scottish Government on the way in which they approached that very issue, and the £40 million of funding that we will secure? We consulted widely with the entire voluntary sector and engaged the Scottish Council for Voluntary Organisations, and together they identified the priorities. Is that the way in which that should be done in England? Perhaps England should follow suit.

Mr. Hoban: I think that the Government went through a consultation process. It will be interesting to see just how the Government consult on how they allocate the money from the reclaim fund to the three priorities. What sort of consultation process will they expect to see? How will they gauge the amount to be allocated to each of the three priorities? What weight will they give to the fact that the person responsible will be the Secretary of State for Children, Schools and Families, one of whose main responsibilities is youth services? It is not clear how we will get a fair process lined up.

Of the three priorities in England, two—youth work and financial inclusion—are already supported by Government expenditure. The challenge facing the Government and the Big Lottery Fund will be how to demonstrate that money spent is additional to the money that the Government already intended to spend. That additionality is quite a difficult issue for the distributor to come to terms with. It is easier if the scheme is launched part-way through a comprehensive spending review period, but once a scheme is up and running there will always be concern that the spending priorities have been set in the knowledge that money is coming through from those sources.

Simon Hughes: I am sure that the hon. Gentleman will accept that although, of course, money is available from the Government—directly and indirectly—for activities for young people and for youth work, there is no statutory responsibility for such funding. That means that there is never any guaranteed money for that age group, and that is one reason why it might be a good first cause in England and why I hope that he will support its remaining the first cause in England.

Mr. Hoban: The hon. Gentleman may well be right that that funding is not a statutory responsibility, but in a way that gives the Government a bit of a let out by saying that they do not have to fund such activities—they know that X million pounds will be flowing through from the reclaim fund, so they feel that they can reduce expenditure. I think we all want to see additionality; the money should come on top of the amount of money that the Government intend to spend. One of the requirements that the Government will have to work hard at, together with the Big Lottery Fund, will be how to demonstrate that the funding is additional to existing Government expenditure rather than a substitute for it.

Another aspect of the legislation that we need to think about quite carefully is the fact that we are establishing a legal framework for a voluntary agreement by banks and building societies to transfer money from dormant accounts to a reclaim fund and for the surplus money to be used for the public good at the direction of a Government Minister. There is a hybridity in that process—I am aware that that word has a particular meaning in parliamentary terms, but what the Bill provides is very much a hybrid arrangement. We are talking about an essentially voluntary activity on the part of the banks and building societies, yet the money raised through that voluntary activity will be spent at the direction of the Government. That is why it is important that there is proper scrutiny of how the scheme works.

I have already touched on the need for scrutiny of the reclaim fund. In the other place, Baroness Noakes successfully moved an amendment introducing a triennial review of the scheme. I noted the

Government's desire in Committee to remove the requirement in perpetuity for a triennial review. We need to ensure that the scheme is working properly, and I am not sure that simply saying that there will be a review in three years and that will be that is the right answer, given the particular and peculiar nature of the scheme that we are discussing today.

The review will help to shine a spotlight on how well banks perform and how well they reunite their customers with their funds. It will act as an incentive to banks and building societies to take appropriate steps to trace owners. It will also become apparent when we look at how much money is recovered from the reclaim fund by customers just how well or badly banks have done in that important preparatory work. It is important that that public scrutiny is undertaken.

The voluntary nature of the scheme, as well as requiring a particular degree of parliamentary scrutiny, has another benefit. It means that the cost of the scheme should be lower than that of a compulsory scheme, as it should have the benefit of reducing administrative costs and ensuring that much of the money that flows out of dormant accounts is available for distribution. It is therefore important that as few hands as possible dip into the funds and that any administration costs are kept under control. The Opposition certainly expressed concern in the other place in respect of the Big Lottery Fund's administration costs and the costs that the Government could defray from the scheme, and we will return to that in Committee.

When the Bill completes its passage through Parliament, it will mark the end of the opening phase of how we deal with unclaimed assets. People will want to consider how the Bill works in practice and to discover what lessons can be learned for other categories of unclaimed assets. The Young review of the financial assistance scheme pointed out that there were many different classes of dormant assets sitting in pension accounts and on life assurance company balance sheets and that people had forgotten about premium bond winnings. Once the scheme has worked its way through the system, there will be pressure to consider what else should be included within its scope. Again, the clause on triennial review includes that likelihood.

The Bill is a test-bed. Its results will be scrutinised carefully to find out what lessons can be learned. The scheme will be scrutinised on its own merits, too, to discover how effectively it works to provide proper protection for consumers, by ensuring that they do not lose their right to money that has been put into a dormant account. People will want the scheme to be run efficiently at every stage, and they will want it to put the emphasis on consumer protection, as well as on releasing money for good causes. Financial institutions want the scheme to safeguard their obligations to their customers and members, too. Charities and voluntary groups want the scheme to deliver clear benefits for them, as well as support for the Government's priorities. The Bill provides a framework for that to happen. It is now our task to ensure that it is improved, so that it meets the expectations of all the stakeholders involved in putting together the scheme.

5.31 pm

Mr. Martyn Jones (Clwyd, South) (Lab): I congratulate the Chief Secretary on introducing the Bill to the House. As someone who has been campaigning on the subject of dormant accounts for many years, I am delighted that the Bill has reached this stage today. The issue is technical, and a great deal of consultation and discussion with the banking industry has taken place. It is a credit to the Government that we now have an opportunity to legislate. Having made speeches, launched more early-day motions than I can remember and lobbied the Government for nearly a decade, I was half afraid that I would become dormant before seeing the introduction of the Bill.

The Bill is important, despite its less than stimulating name, because it will have the potential to pour considerable resources into our national economy and to prevent unused resources from languishing hopelessly in the coffers of private companies. It may pave the way to fund community projects across the country, thereby strengthening Britain's social fabric and altering the lives of a great many people. To that extent, it matters a great deal.

People are supposed to check their bank accounts every so often, and I first came across the issue of dormant bank accounts when I decided to look through my standing orders, direct debits and so on. I found a £1 direct debit going into a building society that I had never had any contact with in my life, as far as I was aware. I thought that I would stop paying it, but I then decided to find out more about it. I was going into town the next day, so I took the reference number and popped into the building society. I found that the money was going into a fundraising account for the Labour party that had been closed about 10 years previously, apparently. *[Interruption.]* Opposition Members may say that the account should remain dormant. The party got my money eventually, but it thought that it had closed the account. That is the point, and I wondered what would have happened if I had not stopped my direct debit. The building society could have used that money to loan to other people to generate money. Essentially, it would never have had to give it up to anyone.

As luck would have it, Ireland was starting to legislate for the same thing at that time, so I looked around the world at other countries that had introduced such legislation, and quite a lot of countries have done so. I thought, "Well, what can I do about it?" I wrote to every bank and building society in the United Kingdom to ask them three questions: what was their definition of a dormant bank account; how many did they have; and how much money was in them? Not surprisingly, not many of them told me the answers, but some did. A sufficient number answered to enable me to work out that there was a great deal of money sitting doing nothing—or at least doing nothing but making profit for the banks and building societies.

I wrote to the British Bankers Association, but it seemed quite happy with its scheme, which consisted of one person in the BBA offices distributing forms to people who wanted to know where their bank account had gone. It took me two years to get a meeting with its then chief executive, Ian Mullen; after showing a great deal of reluctance, he eventually met me. He, too, thought it quite acceptable to continue to have only one person meeting the needs of people who had lost contact with their bank accounts.

[Mr. Martyn Jones]

The problem has had a very slight impact on my personal life, but for countless others, the impact is great, and will continue to get greater. The reasons for dormancy are many and varied, and we have heard some of them. They include death and intestacy; small, overlooked standing orders; and simple forgetfulness. No matter what the reason for the dormancy of the account, all people with a dormant account have one thing in common: the right to regain the money to which they are entitled. The Bill has at its heart the objective of reuniting people with their money; and I salute the lengths to which the Government have gone to protect that right in the Bill. It is just and fair that the rightful owner be placed at the heart of the legislation, as they have been.

I suspect that some in the press, and perhaps in the House, will attempt to scaremonger and pander to cheap media criticism of the Bill. Even in 2004, *The Daily Telegraph* referred to the Government's "dormant accounts grab". I urge Members of all parties to steer clear of that line of attack, because the effort, skill and consultation that has gone into protecting individual citizens' finances is laudable. Any accusation that the scheme is theft from private bank accounts is wholly without substance.

I pay tribute to the provisions of the Bill that ensure a perpetual right of reclaim, to the provisions that mean that a member of the public need not deal directly with the central reclaim fund but can always deal with their own bank, and to the Government's continued efforts to lead a public information campaign to reunite people with their lost funds. I hope that the Economic Secretary to the Treasury can assure us that the provisions will be acted on fully, and that the Government will continue with their public information campaign aimed at allowing people to reconnect with their lost funds.

The Bill is not about moving funds from citizens' bank accounts to the Government's. It is about reconnecting people with their lost funds. Where that is not possible, the Bill is a means of using unclaimed and lost funds to achieve social goals in the community, and preventing those funds from padding out the profit margins of the banking industry. The Bill's goal is highly commendable. It raises the amount of money available for the furtherance of good causes and lowers the risk that any British bank account can be lost for ever without a right to reclaim.

I have praised the Bill, but I have concerns about the voluntary nature of the scheme; that subject has already been raised. At present, no bank will have to contribute to the scheme if they do not want to do so, and if they commit to the scheme, they are under no compulsion to do so fully. That, obviously, is what is meant by a "voluntary" scheme. Recent times have perhaps shown that the free market, and in particular banking lobbies, cannot be trusted to act in the public interest of their own volition. Stronger regulation over recent years could have gone some way to protecting us from the current credit crunch, but I will not dwell on that.

I am not alone in expressing fears about the opt-in scheme; I am joined by the Treasury Committee, which respectfully urges the Government to reconsider a compulsory scheme. It should be noted that not a single developed nation with dormant bank accounts legislation has chosen anything but a compulsory scheme. Such schemes are found in Ireland, the USA, Canada and New Zealand. A compulsory scheme would guarantee not only a level playing field for all concerned, but a single unified banking commitment and fidelity to the legislation. I understand the Government's desire for soft-touch regulation but I cannot align myself fully with that desire. Regulation is not burdensome when it is necessary. As I say, I have concerns about the voluntary approach. The first such concern is simply that the banks will not participate at all, especially as they can currently use the credit crunch as an excuse for non-participation.

Mr. Colin Breed (South-East Cornwall) (LD): On the basis that this is a voluntary scheme, does the hon. Gentleman believe that the bank Santander, for instance, will voluntarily put what would originally have been dormant accounts in Bradford & Bingley into the pot, or does it perhaps think that the period of time has been refreshed, and that there is another period before those accounts become dormant?

Mr. Jones: There is a distinct possibility that that is happening, and not just with Santander. I will not mention the names of the banks involved, but there are a number of areas in which that may be happening, and I shall touch on that. I am concerned about the total pot of money, precisely because of what the hon. Gentleman said. As I said, it is possible that people might not participate at all. A voluntary scheme creates a stark choice for a bank: either donate money to the reclaim fund, or keep it in its own funds.

Mr. Robert Flello (Stoke-on-Trent, South) (Lab): My apologies to the House for the fact that other business has kept me from the Chamber on and off this afternoon. Are my hon. Friend's concerns about the willingness or otherwise of banks and building societies to engage a result of his experience in trying to gain information? Will he enlighten the House on that point?

Mr. Jones: As I said, I will touch on one or two issues of that nature.

The banks were extremely reluctant to give me any information about dormant bank accounts. Initially, the British Bankers Association was extremely reluctant to come out with anything. Not surprisingly, it was happy with the existing situation. I confess that I am not a banker, but if one puts oneself in a banker's shoes, which option would be the most appealing—giving money to good causes, or hanging on to it, particularly in a situation such as the one that applies at the moment?

In the Government's response to the consultation by the Commission on Unclaimed Assets it was stated that the proposed legislation's legal release of financial institutions from financial liability to repay dormant account holders was an incentive for banks to comply with the voluntary scheme. May I ask the Minister exactly how that is an incentive, because banks frequently accept liability to repay money to their clients for a return? That is their business. I suggest instead that a bank never surrendered a penny it did not have to surrender, and that that may well outweigh any eagerness on their part to expunge long-held liabilities which they will almost certainly never be asked to pay back.

Mr. Brian Binley (Northampton, South) (Con): Barclaycard, I am happy to say, is based in my constituency. Its record on charitable giving, particularly giving to enhance society, is immense, and I am sure that the hon. Gentleman would want to pay tribute to that.

Mr. Jones: Absolutely. I am delighted to do so, but there are two separate things that should not be confused. First, banks' charitable giving: most major corporations give out of their profits—*[Interruption.]* I am talking about money on their balance sheets that they do not want to give up. They were reluctant even to tell me about the amount on their balance sheets, so those are two different things. I am sure that Barclaycard and many other banks give money, but we could be talking about a great deal more than the amount of charitable giving.

Banks are granted plenty of leeway in the definition in the Bill of a dormant account. The Bill does not state whether the 15 years without customer contact is a time without contact by way of withdrawal, or by way of failure to pay in funds or to write to the bank. The banks have the luxury of interpreting that for themselves, and I suggest that they will do so in such a manner that is to the advantage of no one but themselves. In short, they will frame a definition of dormancy that involves minimal payment.

The banks are seemingly granted leeway in the definition of a dormant account with regard to the start date of such an account. The point made by the hon. Member for South-East Cornwall (Mr. Breed) is relevant here. The notion of dormant accounts remaining always the property of the owner was only formally introduced in the banking procedural code in 1992. Will banks now apply that regulation to all accounts, or will they apply the regulation more favourably to themselves and state that only those accounts that became dormant post-1992, after the introduction of the code, count as truly dormant and should therefore be transferred to the reclaim fund? I hope that the Minister can offer guidance on such a practice and say whether she would discourage it.

There is a real risk that banks may very well place a minimum-amount standard in their definition of dormancy. For example, an account can be classified as dormant only if it contains a sum greater than £100. Several banks and building societies have applied such criteria when it came to contacting customers with dormant funds. That is fair enough in the case of someone with the dormant sum of £1 lying in their account, as it costs £1.50 to contact them. However, that is not the situation in this case. I hope banks will not apply the same contact definition to the definition of dormancy required for a transfer of accounts to the reclaim fund. There should be no minimum amount standard. As I suspect that a large proportion of dormant accounts contain small deposits, that is important. Will the Minister agree to clarify the situation regarding a minimum-amount standard?

There is mounting evidence to suggest that some definition-based abuse of the voluntary scheme may well be taking place. One need only look at the changing estimates for how much return the public can expect to see from dormant bank accounts. Estimates have always varied as to how much money there is in dormant accounts. High estimates have stated that there is more than £20 billion in dormant accounts.

In 1997 an Inland Revenue study stated the figure to be a more conservative £2 billion to £4 billion. In its coverage of the 2005 pre-Budget report, the BBC placed the figure at £15 million. In 2006 Grant Thornton looked at the Irish model and its progress, and estimated that there might well be £5 billion in dormant bank accounts. We really do not know. In 2007 a sitting of the Commons Treasury Committee placed the figure at £500 million. The Commission on Unclaimed Assets said £400 million.

As the years have gone on, the figure appears to have got less and less. A potential £20 billion to £400 million is quite a shift in figures. Some have tried to explain this by looking at the period of 15 years enshrined in the Bill for an account to become dormant. The Bill sets a period of 15 years, whereas previously banks set their own internal definition, when they replied to me, of three to five years. It seems remarkable to me that even £5 billion can be turned into £500 million by removing just 10 years of dormant funds from a definition.

In 2004 I conducted my own private poll of major banks and building societies in the UK. One major bank, which must remain nameless because I said that it could, told me that it alone had around £400 million in dormant accounts. I had a conversation with one representative of that same bank recently, and it revised its figure to £50 million, so £350 million has disappeared. I cannot explain that, and I would be interested to know whether the Minister has asked the banks whether they can explain it.

The voluntary scheme clearly has its frailties. However, it could be made more likely to succeed by an increase in the information available to the public. Voluntary regulation tends to work best when those watching the scheme have adequate information by which to judge the participants' performance. My understanding of the scheme is that banks would have to declare the amounts given to the reclaim fund, but that is not enough. We do not know the total sum in dormant accounts in order to measure levels of co-operation. We have the banks' estimates, but that is all. It is my understanding that banks will be required to undergo an audit. Can the Minister confirm that that figure will be put into the public domain?

We cannot compare various banking contributions as we do not know which definitions of dormancy are used by them. Does the Minister accept the need for banks to publish the exact terms of their definitions of dormancy? At present we are faced with a very odd problem. If, under the current voluntary scheme, the money collected is less than expected, it will be difficult to decipher what that means. It could be a signal that the banking industry is reneging on its promises, or it could simply be a sign of a successfully run reuniting campaign. We just do not know.

MPs do not often say this, but we do not know enough. That is a confession, I suppose, but it is true. We do not know enough to judge the performance of the voluntary scheme. We have too little information; the banking industry has it all. I strongly suspect that, as in the case of the revenue from dormant accounts, we cannot hope that they will share it with us.

Miss Kirkbride: Reflecting on what the hon. Gentleman has just said, surely the banks would be only too pleased to trumpet the fact that they were successful in reuniting

[Miss Kirkbride]

the money in the accounts with their rightful owners, so we would have some idea how much money had been disbursed in the process proposed.

Mr. Jones: The hon. Lady misses the point. We do not know how much the banks have, but they will trumpet how much they are giving out. They are already doing so. As we have heard today, some banks are successfully reuniting the accounts with their owners, and that is the best effect that the legislation will have. It will ensure that banks do their best to reunite owners of bank accounts with their accounts in the hope that they will hold on to them. Once the owners know that they account is there, they may well leave it with that bank. That is an incentive, which did not exist before.

The voluntary scheme runs the risk of being manipulated or ignored, as I said. Either way, or even in the unlikely event of full compliance, we will be wholly unable to discern which has taken place. It seems that the Bill will leave many in the House and many outside who are concerned about the matter feeling like Oedipus wandering blindly through the countryside. Unless we act to increase the amount of information in the public domain, our blindness, like that of Oedipus, will have been self-inflicted.

Will the Minister assure us today that if a voluntary scheme is pursued and the information provided is found wanting, she will at least offer the public greater information, so that there is a greater possibility that voluntary regulation may work? That would include a fuller definition of the term "dormant", and a compulsory report by all banks of how much they give to the fund and whether that is the full amount of dormant funds that they hold under a preset wider definition. Lastly, the audit of dormant accounts in this country that will take place should be made public knowledge, to give some idea of the genuine amount of unclaimed assets held by British banks and building societies. For years banks have been the problem when it comes to utilising dormant funds. It seems prudent not to rely wholly on the problem being its own solution, but as it currently stands, that is exactly what the voluntary scheme is doing.

However, if the Chief Secretary feels that the provision of further information is not an appropriate course of action, I urge her again to consider adding a reserve power to the Bill to make the scheme mandatory at a later date without recourse to primary legislation. That view was supported by the Treasury Committee and is also supported by early-day motion 346—a cross-party motion with 92 signatories. As my hon. Friend the Member for High Peak (Tom Levitt) mentioned earlier, the proposal is also supported by the National Council for Voluntary Organisations, which has done a great deal of work on the Bill.

The Government rejected the idea of a reserve power, stating that they had no wish to grant themselves sweeping secondary powers that could be used on a whim. However, the Government frequently pass into legislation wider secondary powers than that. Will the Minister today recognise that such a power would not be unnecessarily large, but a wise precaution when ensuring the compliance of private interests, especially so in the light of recent revelations about the banking industry's wholesale failure to invest in a manner that will safeguard public savings?

On the asymmetry of the scheme, the lack of enforcement and control procedures in the collection of funds appears to be paralleled only by the enormous amounts of regulation attached to the distribution of those funds. The asymmetry between the two halves of the scheme is worrying. The banking industry is trusted with a light-touch approach, but the Big Lottery Fund has strict mandates concerning to whom, how and when it must maintain and donate. The current Bill is an entity with two different sides. It is odd to see so little and so much regulation seated side by side.

Mr. Roger Williams (Brecon and Radnorshire) (LD): I commend the hon. Gentleman on his work on such matters. He mentioned the Big Lottery Fund. He will be aware that any funds going to Wales will be distributed on the basis of the Big Lottery Fund formula of 6.5 per cent., rather than on the Barnett formula of 5.85 per cent.—in other words, on the basis of a needs-based formula, rather than a per capita formula. Does he think that now is a good time for the Government to look into the Barnett formula again and to come round to the Big Lottery Fund formula, which is much more appropriate?

Mr. Jones: I am sure that you will not allow me to go down that line, Mr. Deputy Speaker. However, I agree with the hon. Gentleman's other point that the distribution should be needs-based. However, as a Member from mid-Wales, he will know that there are problems with distribution even within Wales, and they must be closely watched.

I have discussed the regulation controlling the use of funds and observed the extreme juxtaposition of regulation in the Bill. I do not oppose the regulation of distribution. The task is difficult and the Government should be involved in the use of public money by an external agency to fulfil social goals. However, I cannot help but notice the contrast. It appears that the agencies distributing the money cannot be trusted to do their job without tight regulation, yet they are charities with a record of success, such as the Big Lottery Fund. On the other hand, it appears that the banking industry can function fine without regulation, despite its record of indifference in that area.

Let me move to an entirely separate aspect of the Bill: the definition of dormancy. As many of my hon. Friends will know, it was a matter of some discussion in the other place. I have looked into some of that debate and a few alternative definitions of dormancy have suggested themselves. When I refer to the definition of dormancy, I am referring to the time period over which an account has to be left untouched before it can be transferred from the bank's revenue to the central reclaim fund. The Bill declares that period to be 15 years, as per clause 11(1)(a). I would like to ask the Minister why exactly a 15-year period was selected.

In the consultation, the Commission on Unclaimed Assets appeared to recognise that time period as provident, as

"it best recognised the accounts which were dormant".

However, that explanation appears to be little more than a reformulation of the question, rather than a genuine answer to it; indeed, it is a tautology. A similar explanation was used by the Government in response to the Treasury Committee's recommendation that 15 years

be reduced to 10 years. Can the Minister today shed any further light on those two explanations? I was pleased to hear that, as the Chief Secretary said, the Government will apparently support a possible change in the definition somewhere down the line. However, 15 years is too long, and can be proven to be too long now.

Given the protection of individual funds, which I praised so highly at the start of my speech, I am confused as to why we should need such a long definition when the money is not going to disappear. The money is there, and people who have the information can go to their bank and the reclaim fund and get their money back, regardless of the time period. I would have thought that there was a case for a differential definition, so that if we are talking about an investment account, the period should be 10 years, and if we are talking about a current account, the period should perhaps be three years. There are international precedents for using a sliding scale, which is one of the ways in which a dormant bank account is defined in the United States.

I have two further points—I am sorry that I am taking up so much of the House's time, but as you can probably tell, Mr. Deputy Speaker, I have been looking into the issue for a long time. The first point is about the mechanism used to allow people to reclaim their dormant funds. The British Bankers Association and the Building Societies Association have set up a central tracking website, as well as a central tracking form. That request for information will then be circulated around various banks and building societies, which will check their records to see whether any names match, in the hope of locating any dormant accounts. That is a great move forward, although one that has happened only in the past few years—the banks and building societies seemed to be quite happy before the prospect of legislation. That view is echoed in early-day motion 1581, which stands in the name of my right hon. Friend the Member for West Dunbartonshire (John McFall), and the idea seems preferable in most respects.

Secondly, the Government have thus far rejected the notion of a central register, claiming that it would have vast repercussions for the bank-customer relationship. That point is not without merit and there is no doubt that we should act with caution before impacting on such a contractual arrangement. However, I would like the Chief Secretary to say exactly what she considers the danger of such a centrally held register to be. Surely it would be formed with a minimum of information. Names of account holders and funds would be the only two details originally required. If the reclaim fund is a secure database, I struggle to see what threat is posed by such a register. I am sure that other hon. Members will talk about the issue later and it is right that it should be covered in more depth. However, I felt that I should at least offer my support to the cause, as I believe it to be a good cause and one worthy of championing.

Let me make one final point—again, it has already been made, but it is worth repeating. The Bill is a good start. It is not, as an infamous US politician once declared, a case of "mission accomplished". Instead, the Bill is the moment when the mission really begins. The fight to stop private interests from writing off billions of pounds of assets into their profit margins has now been taken up in the limited instance of bank accounts, but it has yet to find a legislative champion when the practice rears its ugly head in different forms, some of which have already been mentioned. To name just three, unclaimed insurance policies, unclaimed pension policies and unclaimed gambling winnings are examples of where private interests are winning out. The Bill is not the right place for those issues; I mention them to remind the Minister of the continuing work and legislation still required in this field, which I am sure she will acknowledge.

5.58 pm

Mr. Jeremy Browne (Taunton) (LD): I pay tribute to the hon. Member for Clwyd, South (Mr. Jones), both for his long-standing interest in the subject and for his heroic but seemingly futile attempts to save the Labour party from bankruptcy.

When the business was originally scheduled for 6 October, our first day back, no one could have anticipated how much water would flow under the economic and political bridge. The then Chief Whip, who presumably originally scheduled the business, has moved on to a different role. Half the Treasury Ministers have also moved on, although I welcome the part-time Economic Secretary to his post. Furthermore, concern about dormant bank accounts has been overtaken in many quarters by concerns about dormant banks. However, the Prime Minister deserves some congratulations on reawakening the dormant career of Peter Mandelson, which is one of the finest developments of the past few days.

It might help the House if I provide a little background. In the current phase, the issue was first brought to light in the 2005 pre-Budget report, which stated that where dormant accounts could not be reunited with their owners the money should be reinvested in the community, and specifically in youth services, financial education and social investment. I shall come to those three fields of spending in due course.

The Government undertook two consultations on the proposed scheme: first, "A UK Unclaimed Asset Scheme: a consultation", which was published in March 2007, and, secondly, "Unclaimed assets distribution mechanism: a consultation", which was published in May 2007. In August 2007, the Treasury Select Committee published its report, "Unclaimed assets within the financial system", and the Government's response was published in October 2007. We welcome this considered approach to legislation, although it has not always typified the way in which the Government have addressed these matters. However, this process has been drawn out over such a long period that one wonders whether some of the accounts in question were new deposits when the Government first turned their mind to the matter.

The Bill provides a framework designed to balance the rights of owners with action designed to benefit communities, and that is an important balance to strike. If this were simply a matter of the state being seen to confiscate the funds of private individuals, it would clearly raise considerable concern. The Bill is divided into three parts. Part 1, comprising clauses 1 to 16, deals with transferring liability and money to the reclaim fund. Part 2 deals with the distribution of funds, and there are some final provisions in part 3. Money in dormant bank and building society accounts of 15 years or older will be transferred to the reclaim fund, but it will be reasonable for us to discuss during our deliberations this evening and in Committee whether 15 years is the most appropriate time span.

[Mr. Jeremy Browne]

My party supports the principles of the Bill, as it did in the other place, and we support the improvements made to it in the House of Lords, although there have been some interesting developments in the interim, as the hon. Member for Stratford-on-Avon (Mr. Maples) pointed out to the Chancellor a few hours ago. He asked whether the current banking crisis raised new issues that we need to address during the passage of the Bill, not least because there seems to be an assumption in some quarters that the money sitting in the banks at the moment is gathering dust on a shelf and not being used for any purpose at all, and that it could therefore be utilised for good causes without any other consequences. That might seem increasingly like a less safe assumption to make, if indeed it was ever safe.

I give my thanks to Lord Shutt and Lord Newby, who led for the Liberal Democrats on the Bill in the House of Lords. It has already been considered at some length in the other place, and that will inform our deliberations throughout. In the House of Lords, the Liberal Democrats supported all the cross-party amendments that were pressed to a Division—jointly, in most cases, with the Conservatives—and the Government were defeated on four of them, the first of which, tabled by Lord Shutt, dealt with the £7 billion cut-off point. There is an important discussion to be had on the overall merits of the scheme on a national basis, and the degree to which individual banks and building societies should be able to take a more local approach to projects that they have supported for a considerable period.

Another amendment on which the Government were defeated proposed the introduction of a statutory requirement for all annual accounts, reports and directions received from the Treasury by the reclaim fund to be laid before Parliament. We supported two further Conservative amendments that were passed: one introduced the requirement for a tri-annual report to be laid before Parliament on the running of the scheme; the other related to the technical definition of the word "dormant". Given the cross-party approach to the Bill as a whole, and because we do not anticipate any Divisions this evening, I urge the Minister not to dismiss out of hand the amendments that were passed in the other place. They were not partisan amendments tabled by the Conservatives and Liberal Democrats in order to be divisive. We were seeking to strengthen the Bill, and the Labour Government might see merit in the proposals that were made, if they could only put to the back of their mind the authorship of the amendments.

Some other amendments that were proposed in the House of Lords were defeated—one Conservative amendment would have required the use of the affirmative resolution procedure, but it was defeated by 130 votes to 107—and others were withdrawn. It would be worth the Government's while to revisit some of those proposals, because it does not necessarily follow from the numerical superiority in the House of Lords that the proposals were without merit.

I wish to raise a few areas of concern, some of which have already been touched on, and some of which have received less careful examination over the past couple of hours. The first concern relates to the amount of money involved, and was mentioned by the hon. Member for Clwyd, South. The Chief Secretary to the Treasury was talking about hundreds of millions of pounds—her estimate was about £350 million to £500 million—and such figures have been widely quoted. However, I have heard a huge number of other figures quoted, and there is a big disparity between them. I have heard estimates of £3 billion to £5 billion, which is 10 times the amount that the Government anticipate being realised through the scheme. As I understand it, when a similar initiative was introduced in Ireland, the amounts that accrued were far in excess of those anticipated by the Irish Government.

It would also be interesting to know how much money will be available year on year. There will be an initial hit, when the funds in all the accounts that have lain dormant for 15 years or more are realised—assuming that they can be uncovered—but the accounts that have currently been dormant for 14 years will presumably come on stream a year later, and those that have currently been dormant for 13 years will do so the year after that. The Government should provide a cash flow estimate, and it would be interesting to hear how much they anticipate becoming available year on year, after the original money has been realised, for the causes that they have identified.

A second area of concern is the rather convoluted way in which depositors will be able to get their money back. As I understand it, they will have to go to the bank in question, rather than to the reclaim fund. Will the Minister clarify the degree to which the bank and the reclaim fund will be able to exchange information that could make it easier for the person who deposited the money more than 15 years previously to track it down without the process becoming unnecessarily burdensome? For example, they should not need to be put through to people on the other end of telephone lines who cannot provide them with the relevant information due to confidentiality or other issues of that type. If that issue has been resolved to the Minister's satisfaction, everyone will be very pleased, and I hope that he will touch on that point in his response to the debate.

A third area of concern is the status of England compared with the other parts of the United Kingdom. It is our intention to explore in greater detail in Committee the proposal that the money be restricted to youth investment, financial management and social investment. We need to determine whether the Government intend to stick to that restriction, or whether it is even desirable to do so. Some people will see this as another Olympic subsidy fund, but, as the hon. Member for Fareham (Mr. Hoban) pointed out, we have still not had a proper indication of the balance to be struck between those three uses for the funds. Obviously, dividing the money equally between them would have different implications from giving 95 per cent. to one area and 5 per cent. to the other two. I hope that the Minister will be able to spell this out in greater detail. Will he also tell us why the fund in England is to be restricted to those three areas, while Scotland, Wales and Northern Ireland will have total discretion over how the money is to be spent in those countries? For example, Wales could presumably choose to spend 100 per cent. of the money on youth investment, or none at all.

It would also be interesting to know about the proportions involved in the division of the money. Would the decisions be made roughly in proportion to the populations of the countries of the United Kingdom,

or would they depend on the bank deposits in those countries, which could give Scotland a better share of the money than if the decision were based on population figures? Or, as a Labour Back Bencher suggested earlier, would the decisions be made following an assessment of need? That could benefit some parts of the United Kingdom disproportionately, compared with others. It is still unclear to me, and perhaps other Members, how these matters are to be resolved.

Simon Hughes: These are important points to explore, but does my hon. Friend accept that the reason for the inclusion of the English provision in the Bill is presumably that there is not yet devolved government in England? Some of us wish that there was, and hope that there will be, but there is none yet. Secondly, would it not be unfortunate if the money that the Government had led people to believe would be used for youth provision were suddenly to be diverted from that area? This has been trailed for a very long time and there is no statutory guarantee of funds. I can assure my hon. Friend that many people and organisations firmly believe—the Bishop of Chelmsford made a good case for this in the other place—that revenue, as well as and probably more than capital funding, is needed to support good youth work, which is constrained because it does not have the funds to grow and deal with issues on the front line.

Mr. Browne: I am grateful for my hon. Friend's intervention and I recognise the need to give discretion to Administrations in Scotland, Wales and Northern Ireland. I anticipate, however, that if no money were spent in Scotland on youth services, for example, a fuss would be made that the people of Scotland had been led to believe that the Bill would realise money for those purposes. It is a difficult balance to strike. My hon. Friend makes a fair point and I hope that the Minister will respond to it: the public have been given the impression—not misled—that the money will be devoted primarily to youth projects, and some will be concerned that if there is no indication as to what proportion of the money will be so directed, although it need not necessarily be on the face of the Bill, many campaigners on these issues might be disappointed.

My fourth area of concern is the lack of a national register, which was raised earlier in respect of wills, legacies and other funds that are not readily accessed without such a register. My fifth concern, which I hope the Minister will address, is with the mutuality of building societies, the £7 billion asset threshold and the discretion accorded to some but not other institutions. I look forward to hearing the Minister's comments on that.

My final concern is the voluntary nature of the scheme. I assume that it is voluntary because the Government are nervous about appearing to compel financial institutions to act under the diktat of the state. In the last few months, of course, these considerations have altered somewhat, but I assume that the motivation reflected the Government's sensitivity on this area. We are left in the strange position whereby Ministers tell us that the scheme is entirely voluntary, but that they anticipate that every bank will wish to participate. The scheme appears to be a form of voluntary coercion, if it is possible for us to understand such a concept. I do not understand what incentive the banks have to sign up to the scheme. If it is voluntary, why should the banks support it? Much depends on their being seen to do the right thing and not incur the wrath—or at least the bad will—of the Government. It may be, however, that struggling banks will now regard that as a lesser priority than when the legislation was initially conceived.

In Committee, we intend to explore the following issues in more detail. First, we want to include a reserve power to create a mandatory dormant account register so legacies can be rightly reunited with their legal owners. Secondly, we want to include a reserve power to turn the scheme mandatory if participation is insufficient. It will depend on market circumstances, but it will be useful to have such a power. Thirdly, we want to support the triennial review, as advocated in the House of Lords, as we view that proposal as having merit. Fourthly, we want to support the removal of the £7 billion asset threshold for building societies. and, fifthly, to ascertain the percentage split apportioned to each UK country. One can understand why there should be some discretion, but the Minister's clarification of how much will go to youth services, financial education and social investment would be helpful. A firmer indication of how much will go respectively to England, Scotland, Wales and Northern Ireland would also be helpful.

Finally, I would like the Minister to clarify why the Secretary of State for Children, Schools and Families is taking the lead on distributing the funds. One can assume only that the emphasis put on youth services will be greater than that on financial education and social investment. That seems a reasonable assumption: many will welcome it, but others who want more money spent on financial education and social investment will not. It remains a mystery to me why the Department for Children, Schools and Families is taking the lead role unless the emphasis is going to be on youth services. The Department's remit is exclusive to England—*[Interruption]*—so it will not have a useful role in investing money elsewhere in the UK. I am rightly corrected by a sedentary intervention to the effect that the Department is not wholly English in its concerns, but it is largely concerned with English matters.

My conclusion is that the new Economic Secretary should consider an early power-grab and see whether the Treasury—or, indeed, the Department for Business, Enterprise and Regulatory Reform, in which he is also a Minister—should take the lead on this matter. If not, why is the Treasury forfeiting its usual role? Is the Minister confident that the Secretary of State for Children, Schools and Families will distribute the money in the most appropriate way?

6.16 pm

Mr. Mark Todd (South Derbyshire) (Lab): I rise to speak as a member of the Treasury Committee, whose report has already been the subject of a number of remarks. More of us would have been present today, but the Committee is absent on a visit. I particularly pass on the apologies of our Chairman, my right hon. Friend the Member for West Dunbartonshire (John McFall), who I know would have wished to contribute to the debate.

I support the intentions behind the Bill. Dormant accounts undoubtedly offer potential for beneficial use, but I emphasise straight away—some have already done so to a greater extent than others—that these remain

[Mr. Mark Todd]

private assets, so it is necessary to reinforce the tangential relationship of the state to this issue. I believe that the state should be there to enable solutions to be found in respect of the distribution of private unclaimed assets rather than to adopt an overly controlling approach to the management of the assets or their eventual distribution to any good cause.

That is why I particularly welcome the work already done by some banks and building societies to locate people who have unclaimed assets. It is particularly impressive, I must admit, that HBOS, with all its troubles, has devoted a good deal of time and effort to tracking down what it regards as unclaimed assets. About a third of those dormant assets have been reunited with their owners, which is extremely commendable.

When the Select Committee considered the Government's proposals last year, a number of objections were raised about the voluntary nature of the scheme—I shall touch on it, as have others—the definition and identification of dormant accounts, the scheme's scope and the options for disbursement. Many of our concerns were echoed in the other place by speakers from all political parties when the Bill was considered there.

The first issue is whether the scheme should be voluntary or compulsory. The Select Committee took the view that it should be compulsory, and I see the arguments in favour of that. I remind hon. Members of my earlier remarks, which perhaps suggested sympathy for that opinion, where others did to a different extent. Members of Select Committees—I have been one for a long time—seek to arrive at consensual conclusions, but one obviously has more or less enthusiasm for certain opinions that are expressed. However, I shall represent here some of the arguments in favour of a rather firmer approach to this scheme. One is undoubtedly that it relies entirely on voluntary commitment.

There is no international precedent for a voluntary scheme and such schemes as exist elsewhere are all compulsory. We have heard from the British Bankers Association and the Building Societies Association that all financial institutions are keen to participate. The dormant accounts scheme will be self-regulated by the banking code. The banking code itself is voluntary, so we will have a voluntary scheme regulated through a voluntary code, which means that we will be relying incredibly heavily for delivery of our expectations of the Bill on the good will of the businesses that participate.

Simon Hughes: I understand the dilemma involving the voluntary and the non-voluntary option, but is not one argument for a compulsory option that we would have much more certainty about the funding over the medium and long terms? Bluntly, it will be difficult to achieve predictability with a voluntary scheme.

Mr. Todd: I shall come to that and suggest some other problems that undoubtedly arise.

The Committee struggled to see what incentives a bank will have to participate fully in the scheme. Another speaker also questioned what incentives might be in place. There is, to some extent, an incentive in the disclosure mechanisms that lie within the proposals in that the reclaim fund will publish the details of contributions made to it. Therefore, by definition, those who have been less enthusiastic participants will be exposed, although there may be reasons why their contribution might be lesser. They might be more effective in tracing links to unclaimed funds, for example. Such information will probably not be a particularly strong enforcer of participation.

A refusal might also, particularly in current circumstances, be considered by shareholders in the institution one of the lesser faults of that institution, if I may put it that way. This matter will not be a high priority among most shareholders or, for that matter, among the executive management team. We can be pretty sure that it will not be a bonusable objective in banking to distribute unclaimed assets as rapidly as possible to a reclaim fund. Other means than something of this kind will be sought to motivate senior executive teams, so there clearly is an issue of how to ensure that the proposal delivers something like the objectives that we all have for it.

I do not think that there is a risk of banks and building societies refusing to participate because, once people have become aware of these matters, that represents open defiance of the genuine public will and of Parliament. Nevertheless, we should consider the commitment of resources to the task that participation involves. This is not a trivial activity. From what I can tell, the average size of such accounts is between £100 and £200, and in many cases the costs involved in tracking down individuals to reunite them with those accounts will probably exceed the sum involved. Therefore, one can hardly say that a financial institution will be unwise to think carefully about how to prioritise its resources to achieve the objectives of the Bill.

Without a compulsory framework, one can see considerable difficulties. For that reason, the correct balance is probably struck here in terms of facilitating a voluntary approach first and then reviewing the mechanism established by the Bill to see how it is working. We will then be able to see whether rather firmer statutory enforcement is required. I am sure that we will discuss that further in Committee, although I would wish that it were not necessary. I hope that this would be a task committed to by the financial sector with some enthusiasm, but one has to say that that is a counter-intuitive thought in current circumstances and in relation to the mechanisms in place to reward bank staff for achievement of particular goals.

I note, for example, that my noble Friend Lord Bach said in the other place that

"prestige is likely to be attached to participation".—[*Official Report, House of Lords*, 29 January 2008; Vol. 698, c. 568.]

I have a lot of respect for his opinion and I know him well, but I must admit that I am not sure that that will be a substantial motivation for people to press ahead with the scheme.

I hope that the Minister will suggest some more powerful mechanisms to prevent lip-service participation by businesses that are committed to taking part in the scheme. It is fair to say that at the margins—much of banking is a low-margin activity—there will be a temptation for companies to exercise some competitive advantage in this area by the efforts that they put in, because the steps that are taken will undoubtedly and obviously have some effect on removing cash from the institution concerned.

There is an argument about how much the balance sheet will be weakened. After all, both sides of the balance sheet—assets and liabilities—are involved. These proposals will certainly remove a cash resource from institutions and, as I have said, there is a cost attached to the activity itself. Some institutions might decide to spend less money and time on it and observe with some enthusiasm how others spend rather more time and effort on it. The competitive nature of the industry might persuade some to put in fewer resources than they should.

Let me turn to the issue of data, about which most people in the House care pretty strongly. One must presume that at least some details of individual assets and their presumed owners will be transferred to the reclaim fund for ongoing pursuit, so it is worth the Minister setting out some reassurances on the transfer of what we must recognise are data about individuals and their financial circumstances, whether they are still alive or not, and whether or not, for some reason or other, they have no wish to be identified with their assets. These matters might be very personal to them, so we need to be sure of the security of the transfer of personal data.

I also presume that, should a bank or building society cease to be active, tracing an individual's account back to him will become an obligation of the reclaim fund. Therefore, the data that are transferred must be sufficiently full to make it possible to establish such linkage at some future stage. We must always recognise that, however old some of these accounts are, someone may indeed have some claim on them, and they have every right to that claim.

We have also touched on the participation of National Savings & Investments, and here I firmly side with the Select Committee. I felt that the Government's answer on the reason for the exclusion of NS&I from the scheme was rather thin and that it implied that if they gave this money away they would have to find the same amount somewhere else. Yes indeed, but this is someone else's money. In some ways, it could be argued that that is true of everything that the Government have, but that is an over-philosophical argument to have at this time of night.

However, we are talking about savings which, by an individual deliberate act, have been placed in the care of the Government to bring some return. That is different from the receipt of money from all of us as taxpayers. My personal view is that NS&I ought to participate in the scheme on the same basis as banks and building societies. I hope that the Minister will be able to explain with more rigour than the Government mustered in their response to the Select Committee report why that should not be true.

My anxiety about the disbursement mechanism in no way reflects any ill-will towards the good causes identified by the Government. They are all sensible and we can debate the precise balance of the spending between them this evening and in Committee. However, I am concerned that we are dealing with other people's money, held by private institutions. I would have preferred a more inclusive mechanism for deciding how the resources should be distributed than simply saying that we will give them to the Big Lottery Fund and setting out the broad objectives that we have in mind. To go back to my earlier remarks, that takes us a little further into the state's role in the matter than I would optimally have preferred. Even at this late stage, I would prefer more consultation so that stakeholders can have a greater say.

A good example of that is the role of charities. It is undoubtedly true that a significant proportion of the money may well be attributable to charities on the basis that they are the beneficiaries of a will. Although the voluntary sector should not have the exclusive say, I would have welcomed some participation by it in the process to decide whether the priorities are right and perhaps to answer some of the questions on proportionality as it relates to the good causes named so far.

Simon Hughes: In the hon. Gentleman's work on the Select Committee or elsewhere, did he come to the conclusion that one reason why the Government are so specific about the English priority is because although it has long been argued that there should be money for youth services, it has never been a statutory requirement? Everything else is—children's services and older people's services, for example—but this is the Cinderella service. Making it a priority could be a surrogate way of giving it a bit of solidarity and respectability.

Mr. Todd: The hon. Gentleman is absolutely right, but the service is still a surrogate. I do not think that there is a clear link between the purpose of supporting youth services, which I agree with, and the precise mechanism for collecting the money for it. I certainly do not dissent from the measure and will not vote against the Bill. I, too, want more youth services in my area. It is undoubtedly a needy sector of public services. However, bearing in mind my view of the legislation as a whole, I am uncomfortable about the non-inclusive way in which the decisions have been made. It would have been helpful to have had a more rounded approach, as the Select Committee said, incidentally. It firmly shared my view.

On local disbursement and the activities of smaller banks and building societies, the figure of £7 billion seems about right, but there is no rational basis for saying that a smaller institution is defined by an asset base of £7 billion.

Mr. Breed: As a member of the Select Committee, I share the hon. Gentleman's views. We came to similar conclusions and the report was good. I am interested in the cut-off point of £7 billion. On a bank's balance sheets, the assets are the loans. Current accounts and dormant accounts are the liabilities. Do we mean assets on a bank's balance sheets when we talk about liabilities?

Mr. Todd: That is a fair point. The hon. Gentleman is an ex-banker, although he does not shout about that quite so much at the moment. I apologise if I inaccurately referred accounts as both assets and liabilities. There is, however, a technical point to be answered on defining the asset base.

My view is that the better test is whether the institution is capable of supporting a local framework of delivery. Some institutions are, but many are not. Some small local building societies would undoubtedly be able to make judgments in their own area, where their customer base still largely is, but it is also true that some institutions—the Nationwide, for instance, has received plaudits for this—are active distributors to the voluntary

[Mr. Todd]

sector across their nationwide networks. The Nationwide has just absorbed my building society, the Derbyshire, which covers a large chunk of businesses in Derbyshire. It qualifies as a society that is well equipped for carrying out such distribution through its own means.

Again, I welcomed the Chief Secretary's justification of the precise cut-off point in monetary terms rather than in capacity terms, which relates to whether an institution is capable of making such a distribution for itself and whether it would wish to. Many banks and building societies would rather pool the money with others and have the distribution carried out by an institution or expert in such matters. However, some would want to make their own judgments about that but would not qualify under the size qualification.

I want to raise a small number of technical points. Customers' rights are preserved on the insolvency of a business, which in theory places someone with an unclaimed asset in a better position than any other customer of that financial institution. It is not a major point, but it is worth giving a bit more thought to how that degree of protection can be applied to a tiny minority of account holders of a society, and those whom we do not know, and whether that presents anomalies in the general protection of accounts that is offered under the financial services compensation scheme.

It is also worth knowing how the mechanism identified in the Bill will work. Under the proposed arrangements, on transferring dormant accounts to the reclaimed fund, the bank has its liability to repay the customer extinguished. It enters into an agency agreement with the fund to carry out that duty on its behalf. If the institution becomes insolvent, how is that action to take place?

Others have mentioned their concern about the ability of charities to go back to a source to check their entitlement to proceeds from a will. I share that concern and am a signatory to the early-day motion on that. The mechanism devised in other countries to find a name seems to work pretty well. The website here, which has received justifiable praise, requires prior knowledge, such as whether someone had an account in Derbyshire, which people are unlikely to have. In many cases, it will not be known where the accounts have been held. The mechanism needs to be much more name-based than institution-based. A reserve power, defined in the Bill, should make it possible to establish a register of the assets enabling individual charities, and others, to make claims more intuitively and effectively.

As a strong supporter of mutuality, I think it important to ensure that individuals' membership rights are protected when an asset is transferred. If someone who holds an account in a building society—as I do—loses touch with it, that does not involve losing touch with a membership right that grants benefits other than merely holding the account and gaining a return from it. Although the Government's response to the Select Committee stated that the membership rights would not be changed, a little more thought is needed about what that really means. The response implies that if the details of the account are transferred to the reclaim fund, along with the task of managing it, the society must nevertheless maintain a member register with a tag relating it to an unclaimed asset that has been transferred from its balance sheet.

I would welcome the Minister's assurances and explanations in relation to a number of the points that I have made, but I believe that the Bill deserves all our support, and I shall be surprised if it does not receive it, at least in qualified terms.

6.41 pm

Miss Julie Kirkbride (Bromsgrove) (Con): I apologise for not having been able to be present for all of the debate so far. Parliamentary business took me away, causing me to miss what I am sure was an excellent contribution from my hon. Friend the Member for Fareham (Mr. Hoban), with which I would no doubt have strongly agreed. I apologise to him, in his absence. Since then, however, I have heard contributions from other Members, including the Chief Secretary, who not only made a very good speech in support of her Bill but displayed open-mindedness over the potential of the Committee stage in respect of a number of the issues that have been raised. I think that the House will welcome that; I certainly welcome her attitude.

I returned in time to hear the hon. Member for Clwyd, South (Mr. Jones) express his well-thought-out objections to the Bill. I must say that while none of us want to be friends of bankers nowadays, I do not take his dim view of the banking industry, so I did not entirely agree with many of his observations. I thought that the hon. Member for Taunton (Mr. Browne) made a very good speech about the pinch points that remain in the Bill, which I am sure will be raised in Committee. The hon. Member for South Derbyshire (Mr. Todd) gave an excellent presentation of his experience on the Select Committee. I strongly agree—and I wish to make this the thrust of my own speech—that if we are to have the proposed register, it should be based much more on names than on institutions if it is to have a realistic prospect of reuniting people with their assets.

I support the Bill and its intentions. I think that it proposes a very good use of money that is lying dormant in bank accounts. Bearing in mind the statement that we heard earlier, however, I worry slightly about whether now is the moment to introduce such legislation. Perhaps we shall return to that issue in Committee. As was observed by my hon. Friend the Member for Stratford-on-Avon (Mr. Maples), if we face such a dire situation in the banking industry, it may be worth considering a delay in the implementation date of what is nevertheless a worthy Bill.

I am sure that we can all argue about whether 15 years is long enough for assets to lie dormant, and about whether the Big Lottery Fund is the right body to distribute the money. I share reservations that other Members may feel about that, and no doubt views will differ on whether the Government have identified the right organisations to benefit. I respect their mandate to decide such issues, however, so I shall set my reservations aside and agree to agree with them in that regard.

I wish merely to make an appeal on behalf of charities that have contacted me. Enthusiasm for the good causes that will benefit from the Bill may make it easy to lose sight of the fact that this money belongs to someone. It may belong to someone who is alive, or it may once have belonged to someone who is now dead and who will almost certainly have left a will expressing intentions about how the money should be used.

One in seven of those who leave wills bequeath money to a charitable organisation, amounting to about 5 per cent. of their estates. Whether we are talking about £500 million or billions of pounds—for we do not know how much the Bill will liberate—we are talking about an awful lot of money that could go to the charitable sector. The wishes of the money's owner could be respected if it were given to, for instance, Cancer Research UK, which has contacted me, the British Heart Foundation, which receives some 47 per cent. of its funding through legacies, or a range of other charities, all of which do fantastic work and rely heavily on legacies to maintain their core funding, their fundraising activities being in addition to that.

I think it behoves Parliament to consider charities' worries about the inadequacies that they see in the Bill at present. They want to be sure of being able to identify and claim their assets. I am sure that the Minister has seen early-day motion 1581, which refers to the Unclaimed Assets Charity Coalition. I think that its request is modest and reasonable. It suggests that we should see whether a voluntary scheme works, but also take the precaution of stating in the Bill that if a case can be put in the triennial review that it has not been seen to work, the Bill will provide for the establishment of a different kind of register that will enable charities to claim their assets much more effectively. That would not bind the present Parliament, and would not impose an excessively bureaucratic burden on banks—which I understand is what worries Conservative Front Benchers, and we can all understand that at the moment. It would, however, mean that we would not need to have recourse to primary legislation again if we wanted to devise a more robust system. Powers in the Bill could be activated on the advice of a future Parliament.

As was suggested by the hon. Member for South Derbyshire, the online traceability scheme relies on knowledge of the name of an institution that might hold assets that a charity might feel belonged to it. As we all know, perhaps from our own experience but certainly from the experiences of friends and family, it is easy to forget about small amounts of money in a bank account. We may change our name or address, we may lose the paperwork, the box may be in the attic; but it is easy to lose track of small amounts if, for certain reasons, we have opened a variety of bank accounts. Without a name with which to trace someone—people's lives change: they may get married, change their names for other reasons, or move house—it is easy to lose sight of bank accounts. That is particularly true when someone dies, and the relatives must perform the horrible business of clearing up that person's life and financial accounts.

I completely understand that there are concerns about fraud, but successful schemes that have brought forth a much easier way of tracing people's accounts and assets already exist in America and Ireland. The ambition of the Unclaimed Assets Charity Coalition, which comprises 60 charities, is modest; all it is asking is for the legislation to include a chance to revisit this issue if the Government's good intentions set out in the Bill are not as successful as they might be.

I welcome the Economic Secretary to his new role at the Treasury, alongside his other responsibilities elsewhere in Government, and I look forward to hearing what he has to say later.

6.50 pm

Tom Levitt (High Peak) (Lab): It is a pleasure to follow the hon. Member for Bromsgrove (Miss Kirkbride), who began in the style of someone making a winding-up speech, to the extent that I suddenly wondered whether I was going to be called to speak at all. She told us that someone who is dead is someone who is not alive but, in what was a good and consensual speech, she made the important point that this is our one chance to get the legislation right. We will not revisit this issue through primary legislation because the Labour Government of 2011 will be too busy, and we owe it to everyone involved, whether bankers or the communities who will benefit from this, to get the legislation right first time. There are a number of issues about that which I shall address later.

I take, rather than declare, an interest in this issue as chair of both the Community Development Foundation and the all-party group on the community and voluntary sector. Until this Bill came along, I had not realised that in one important respect the banking industry is part of the voluntary sector, and I will return to the issue of whether the banks will volunteer to take part in the dormant accounts proposals.

I was interested to think about the nature of the funding that will come out of this legislation—as well as the quantity, which is also important. Is what we are talking about a windfall, or will there be an ongoing stream of funds as more and more current live accounts become dormant in the future? My guess is that, in the future, as awareness of dormant accounts rises increasingly through the reunite process and other means, there will be fewer dormant accounts reaching maturity. Also, as people have more control over their accounts, through internet banking and so forth, there might be less chance of them losing control of those accounts in the future. Therefore, there is a worry that what we are talking about might, in effect, be a windfall—that it might be a source of income that peaks over the first two or three years as the backlog of dormant accounts gets cleared but that then rapidly falls. If we believe the British Bankers Association, we are talking about the sum of £500 million. That is a lot of money in some respects, but over how many years will it be spent, and will it get topped up as the years pass?

As the Chief Secretary told us at the beginning of the debate, that £500 million equates to 0.07 per cent. of banks' assets. In other words, the size and impact of this scheme, were it to be taken up 100 per cent. by the banks, is a pinprick. It will not make a difference to the stability of the banks, and while I understand the sensitivity in the current circumstances, which could not have been predicted weeks ago, let alone months ago or when this issue was prioritised, we should enact the legislation. We possibly should talk later on in Committee about implementation dates, but even in these circumstances it is right only to tolerate months of delay, not years of delay. We need to know how much money we are talking about and, as has been said, the BBA estimate is at the bottom end of the estimates. Regardless of whether we end up with a voluntary or a mandatory scheme, we need to find a way of being clear about how much money is involved and the time scale governing that money.

[Tom Levitt]

I agree with what has been said about the reunite process. It is absolutely right that people should be reunited with what are, after all, their own possessions. Like other Members, I have had the e-mail from Halifax Bank of Scotland telling me how it is getting on, with £18 million of dormant funds already allocated and £29 million still to be allocated. It also told me that 83 per cent. of accounts left to be reunited hold less than £100. For that reason, I would be wary of the suggestion reported to us by my hon. Friend the Member for Clwyd, South (Mr. Jones) that there should be a £100 de minimis sum, because if we are talking about 83 per cent. of all these accounts, lots of those £100s make up a lot of money, and they should be included.

HBOS went on to tell me that 244 dormant accounts had been identified in my constituency. I found that a bit odd, because either it is extrapolating, in which case on average there should be 244 accounts per constituency, or it knows the postcodes of the people who own these accounts and who it is seeking to reunite with them. I would be interested to know from HBOS whether those 244 accounts are an extrapolation or that is the right figure.

Mr. Todd *rose—*

Tom Levitt: I think my hon. Friend is going to tell me he has the same number in his constituency.

Mr. Todd: I am not. What I have to say demonstrates that this must be based on real data about real people, because my figure is 136, and the population of my constituency is a great deal larger than that of my hon. Friend's.

Tom Levitt: That is interesting, and it does not reflect well on the people of the northern part of Derbyshire who are obviously more careless than the people in the southern part of Derbyshire—I hope that does not get reported. Taking the figure of 244 such accounts in my constituency as an average—which might be an overestimate—given that it is said that the average sum per account is £316, there is about £50 million over the country as a whole from HBOS alone that should be available for this scheme. That figure must then be multiplied by the sums for the other banks and building societies as well, so we are talking about a lot of money.

I want to talk about the issue of whether this scheme should be mandatory or voluntary, on which I made an intervention earlier in the debate. When my hon. Friend the Economic Secretary sums up, I would like him to make a point—he might write this down now in capital letters—of listing for us all the Treasury regulations that are voluntary. Which of the current regulations can financial institutions opt in or out of as they choose? I think that will be a very short list. I do not see what the point is of having optional regulations. As has been said, Ireland, Australia, New Zealand, Canada, the United States of America and Spain all have dormant account recovery schemes and none of them has gone for the voluntary approach, because they realise they cannot get as much social value and investment coming from those dormant accounts through voluntary means; my hon. Friend the Member for South Derbyshire articulated that point well. A mandatory scheme would be equitable because it would treat every financial institution involved in exactly the same way. At the very least, I urge my hon. Friend the Economic Secretary that we must have, as the hon. Member for Bromsgrove said, a reserve power so that we do not have to return to this House when we find in a few years' time that the voluntary approach has produced very good results from some institutions and negligible results from others, because that is the way it will work.

I take on board the Chief Secretary's point at the beginning of the debate that a triennial report is probably more important in the early years of the working of the scheme, and I think that after one or two years we would probably know how successful the scheme is, so I am willing to go along with her on that to some extent. However, I think there needs to be at least one triennial report to review the effectiveness of the scheme and to examine how much money banks and building societies have transferred for reinvestment. I am agnostic about whether 15 years is the right length of time after which to declare an account dormant. I am fighting the case of a constituent whose dormant account is 10 years old and appears to have disappeared completely already. Fifteen years is probably a bit on the long side, but such a period does indicate that control of and interest in an account has been lost.

Finally, I want to look at the distribution mechanism. The National Lottery Act 2006 gave the Big Lottery Fund the power and authority to handle non-lottery as well as lottery funding. The Arts Council and Sport England also have the same powers, as I understand it. More than 80 per cent. of those who took part in the consultation on who should be the distributor of unclaimed assets said that the Big Lottery Fund was the correct organisation to do it. It is already responsible for delivering half the funding raised through the national lottery to projects across the UK concerning health, education, the environment and charitable purposes. The themes that we have heard about so far as the Bill and the focus of this money are concerned are totally appropriate for that.

I find it a bit odd that the issue of additionality was brought up by the hon. Member for Fareham (Mr. Hoban) earlier. Additionality was one of the sticks with which the Conservative party used to beat the Big Lottery Fund and its predecessors. However, the Big Lottery Fund won the argument over the years, and we have not had an argument for three or four years about additionality. Although there may be grey areas and areas where funding is complementary, we accept that the taxpayer, through the Government, has certain obligations, but that complementary funding from other sources is wholly appropriate. What is more, the Big Lottery Fund has won the trust of the people for being fair in the way that it delivers, and it certainly has the experience. The young people project, through the Young People's Fund and YouthBank UK, was a lottery project that gave young people themselves direct input into decision-making projects regarding who should benefit from the funding. I hope that that practice will be taken up again in this instance. The Big Lottery Fund has experience of individual financial management and access to personal financial services through the advice plus programme, through which it awarded more than £11 million to projects for

financing and fundraising across the UK. As a social investment wholesaler, it knows that partnership is the key to delivering projects, avoiding duplication and making effective use of funding. The £50 million "fair share" programme, for example, operated in 77 areas of the UK, working in collaboration with the Community Foundation Network—a much underestimated body—to get money to where it really works: inside our communities.

I very much welcome the fact that we are talking not just about grants so far as distribution is concerned—another Member touched on this issue—but about loans and endowments being made through this funding. All of that helps to create a much more sustainable form of funding, whether or not it is within the life of the funding stream, in so far as it goes.

There is therefore no need to debate who the distributor should be—the Big Lottery Fund has won that argument. It has a record of appropriate funding, and of openness and transparency and accountability to Parliament. It has well-established offices in Scotland, Wales and Northern Ireland and in the English regions. On financial efficiency, according to the National Audit Office, its overheads, at 9.1 per cent., are lower than any of the other lottery distributors', so it is an obvious and satisfactory choice of distributor.

We will have some interesting debates in Committee, and I hope that there will be some movement on the mandatory versus voluntary issue, because that is the only way that the provision can be made reliable, as well as sustainable.

7.4 pm

Mr. Richard Spring (West Suffolk) (Con): It is very good to follow the hon. Member for High Peak (Tom Levitt). There is clearly a particular Derbyshire interest in this subject. I also congratulate the hon. Member for Dudley, South (Ian Pearson) on his new role at the Treasury. I think that he combines it with his role at the Department for Business, Enterprise and Regulatory Reform, where I suspect, on balance, he will have more fun. However, we welcome him to his new role.

Like the rest of my hon. Friends, I fully support the motivation behind the Bill and I certainly welcome the spirit in which the Chief Secretary to the Treasury spoke about her approach to considering possible amendments in Committee. That is good for the purposes that lie behind this legislation. I wholeheartedly believe that allowing money in dormant accounts to be used to help good causes or to be reinvested in the community is completely the right thing to do, and it certainly has my full support.

The Bill follows a long period of consultation and discussion, which we heard about, between the Government and the banking sector, as well as with the Treasury Committee and the Commission on Unclaimed Assets, chaired by Sir Ronnie Cohen. There was much discussion during the Select Committee's proceedings as to how the money should be directed, and there were a number of suggestions. It is worth looking at some of those that were put forward. The right hon. Member for Birkenhead (Mr. Field) and the hon. Member for Sittingbourne and Sheppey (Derek Wyatt) suggested that the first claim on the unclaimed assets should be given to the victims of the wind-up of occupational pensions. The Prince's Initiative for Mature Enterprise called for a focus on microfinance for the over-50s to enable more of that generation to start up businesses. Although many worthwhile ideas have been floated, I welcome and support the allocation of the unclaimed assets to improving youth services in particular, and to tackling financial inclusion and boosting social investment.

However, my hon. Friend the Member for Fareham (Mr. Hoban) talked persuasively about the issue of additionality, which was at the heart of what the original lottery legislation was all about. The point is that these areas are already funded by Government expenditure, and I should like the Minister to tell the House how this money will be spent differently from money already spent by the Government on new services. This is an important point, and we come back to the additionality factor.

When the Bill was debated in Committee by Members in the other place, Lord Howard of Rising mentioned that the Economic Secretary admitted in his evidence to the Treasury Committee that youth services had been underfunded for years—a point that I think is generally accepted throughout this House. However, that raises some question marks over the ability to guarantee that the revenue from dormant accounts will not be substituted for normal Government spending. I come back to the point that it is crucial that we all understand what the Government have to say about this issue. Can the Minister therefore tell the House what proportion of money in dormant bank accounts will be transferred to the Big Lottery Fund? If he cannot answer that question, is it wise to make specific commitments about the use of funds, such as those made on youth centres? I look forward to his reply.

Before this money is given to help these good causes, it is vital that there are robust measures in place to reunite owners with their unclaimed assets—a point that has been powerfully made by a number of Members today. I very much welcome the banking industry's efforts to achieve that, which I believe to be absolutely genuine. That is all the more essential as this is a time when many families are under great economic stress, and the situation is getting worse. It is also crucial that once the liability is off the bank's balance sheet, there is reserve in the reclaim fund so that it can still pay out to customers who come forward in future to claim their assets. That possibility has to be considered. The Government must continue to give an assurance that a balance will be struck between funding good causes and protecting the customer.

The British Bankers Association believes—we have heard many estimates—that that there is between £250 million and £350 million in dormant bank accounts. The Building Societies Association estimates that there is some £150 million in dormant building society accounts. Taking those figures together, we are talking about £400 million to £500 million in UK dormant accounts.

I would be interested to hear whether the Government agree with the Treasury Committee that banks' estimates of funds in dormant accounts are more likely to be underestimates than overestimates. The Chief Secretary touched on that, but it would be interesting to learn a bit more about the Government's evaluation of this matter after their consultations with the banking industry and the building societies. The House of Commons Library agrees with that assessment, because it believes that the scale of unclaimed assets

[Mr. Richard Spring]

"is staggering, but, the estimates vary hugely and reliable sourcing of any estimate is very difficult."

The Halifax alone has £700,000 of unclaimed money for customers located in the east of England, some of which undoubtedly belongs to my constituents.

I am glad that many banks and building societies are now focusing their efforts on becoming more proactive in reuniting customers with their accounts. To take up the point that the hon. Member for High Peak made, this voluntary activity—the framework of this legislation—will work only if such a process materially takes place. We must monitor the situation to see whether a more statutory basis is warranted in future.

Last month, HSBC started to send out letters to its 17,000 customers who have unclaimed money in dormant bank accounts; the average amount in their forgotten accounts is £1,400. In the same spirit, Lloyds TSB announced earlier this year that it had brought in a search agency to track down the holders of 120,000 dormant savings accounts. A number of hon. Members have mentioned the website that provides a free service to help to trace lost accounts and savings. That website, which I have visited, brings together the three tracing schemes of the British Bankers Association, the Building Societies Association and NS&I into a single website, meaning that anyone who has a dormant or lost account with a bank or building society or NS&I, or with all three, can initiate a search simply by visiting the website. It is free to use, it averages more than 760 claims a day and I find it easy to access. I am encouraged by the progress that has been made in accelerating the process of finding the owners of dormant accounts. Following the consultations, I believe that the banks and building societies understand the importance of getting this issue right, and the House will welcome the fact that there seems to have been movement in that direction.

It is so important that the process of reuniting lost accounts and savings with their owners is kept under review and works effectively. It is essential that the effectiveness of the scheme and the amount that the banks have transferred for investment is constantly examined. If we are to have a statutory scheme, it is imperative that it is accountable to Parliament. Such a provision had been missing, so I was pleased that in the other place the Conservative party successfully amended the Bill to ensure that the reclaim fund sends specified information to the Treasury, which must then lay it before Parliament. I was also pleased that their lordships voted in favour of another amendment, which was sponsored by Baroness Noakes, to provide for a triennial review of the scheme's operations.

It is also vital that the money passed on to good causes remains entirely separate from and additional to normal Government spend. As I mentioned at the beginning of my speech, the Bill's objectives are entirely admirable, yet I am worried that the Big Lottery Fund has increasingly become insufficiently independent of Government. For example, the BLF has awarded about £1 billion in grants to statutory bodies such as schools, local councils and national health service trusts since 2004. In a March 2005 press release entitled "Healthy Food in Schools—Transforming School Meals" the then Education Secretary, the right hon. Member for Bolton, West (Ruth Kelly), unveiled a £280 million package to transform the quality of school meals. Despite the fact that more than a fifth—£60 million—of the money was coming from the BLF, the Government seemed happy to take the credit for that decision 36 days before the 2005 general election. That is not at all the spirit in which the lottery was founded or in which it should operate. Unclaimed assets should be used solely for the benefit of society; they should not be used to solve, even by implication, any short-term problem or to achieve what is considered desirable politically by any Government.

I would like the Minister to assure the House that all money given to the BLF from dormant accounts will go only to projects in the voluntary and community sectors, where it should really go. If the money is to be spent differently, what measures will be in place to ensure that the BLF does not duplicate Government spending? I simply cannot see how additionality will stay intact. Given the choice, no Minister will choose to spend money that comes from his own budget over money that will come from the BLF. I am afraid that such has been the pattern for a number of years. That is why money that has not come as a result of general taxation must be accountable to an independent body.

In passing, let us consider the composition of the BLF. There is an argument as to whether it should be the distribution body that implements the legislation. Over the years, a number of questions have been raised about the role of the lottery. If there is a change of Government after the next general election, we will introduce a national lottery independence Bill to free the national lottery from political interference by making the National Lottery Commission and the distribution bodies accountable to Parliament.

Martin Horwood: I have a lot of sympathy for what the hon. Gentleman is saying, because I recall exactly the same points being made two or three years ago during the passage of the National Lottery Bill. It was designed to do precisely what he is describing: to give the Big Lottery Fund much more independence from Government. I think that that Bill addressed that quite successfully, so there may be no need for any additional Bill. Does he agree that the problem is that the Bill before us tends to undermine that approach by, once again, giving Government the power to set strategic priorities for the BLF?

Mr. Spring: I am grateful to the hon. Gentleman for making that point, and I am glad that he agrees with me. People need to be assured that there is proper and discernable distance in these matters, and I return to the point of the national lottery's creation. I was the shadow Minister when the national lottery's purpose and function was changed after the 1997 general election. That had the effect of taking money away from the original good causes and, in retrospect, it was a mistake.

The assets under discussion in this Bill are clearly not Government money, so I see no reason why they should be distributed through a body that enjoys close relations with the Government. Another reason why I am concerned that the Government are proposing to give unclaimed money from dormant accounts to the BLF is that I fear the amount of money that can be passed on will be diminished by the BLF's significant operational costs. This money should be going straight to charities, but instead of going to worthwhile causes, a proportion of

the money—too much, in my view—will go towards paying salaries and administration costs. I would like the Minister to tell the House what proportion of these unclaimed assets will be diverted to administration rather then to helping young people and so on?

Tom Levitt: Towards the end of my contribution I pointed out that the BLF's overheads are about 9.1 per cent., which makes it the leanest of all the lottery distributors. The hon. Gentleman cannot get around the fact that even if the Government or the banking industry were to do the distribution, there would be overhead costs. The evidence suggests that the BLF is the leanest distributor and, therefore, perhaps the most efficient and the best for carrying out this purpose.

Mr. Spring: The costs of salaries, administration and all the rest are too high, irrespective of what the hon. Gentleman says about the BLF. As the costs are high, we must consider whether there is a more efficacious way of distributing the money to the people whom we wish to help.

Lord Howard of Rising tabled an amendment in the other House to stop the BLF spending more than 10 per cent. of the funds it receives on administration, and this argument is most definitely worth examining. The national lottery distribution fund's income for 2006-07 was more than £1.2 billion, 17.6 per cent. of which will never find its way to good causes—instead, it is used to fund the quangos that run the lottery. Administration costs for the national lottery distributors totalled £204 million in 2006-07 and the Big Lottery Fund spent the highest total amount—just under £77 million—on its operating costs. That represents more than 12 per cent. of the total value of grants awarded, according to my figures. In comparison, Scope and Children in Need spend 2 per cent. and 4.4 per cent. respectively, so this may not be the best way to proceed. The Big Lottery Fund employs 1,103 members of staff, compared with the Treasury which employs 1,170. The BLF distributes £630 million annually, but the Treasury distributes 500 times that amount, and—I have to say—it grows every day.

I support the Bill, but we need to consider whether the mechanism for distribution is the correct way forward. It is a substantial amount of money, which we may have underestimated, and Government spending may become more restricted. Our communities will demonstrate increasing need because of the economic situation, and we must ensure that the money will reach the causes that it is meant to reach in the most efficacious way possible.

7.21 pm

Mr. Brian Binley (Northampton, South) (Con): May I welcome the Minister to his new position? I hope that we do not burden him too much on his first outing. I look forward to seeing him appear before the Business, Enterprise and Regulatory Reform Committee, and I wish him well with his joint commission. It is good to see.

Like many others, I generally welcome this Bill. It will create a real opportunity to provide additional help in several areas that need greater attention, of which youth services are a particularly good example. I am happy to give it my general support, but—as the hon. Member for High Peak (Tom Levitt) said—we have to get it right. The big belt will come early on, because money will be collected from dormant accounts in which it has built up over a long time, and the amount that can be expected thereafter will diminish. That is one of my concerns, and I am sure that the Economic Secretary will wish to address it later.

Many of my other concerns have already been mentioned, but I hope to make some novel points. I am concerned about the administration of the scheme and its associated costs. The Bill does not help us very much with that concern, and I would like to know more. I am especially concerned about how the money will be distributed. Lack of scrutiny is also a concern. The Big Lottery Fund has come more and more under Government control, and we need to ensure that scrutiny is transparent and open to the general public. I am not sure that we have been told how that will be achieved. On the basis of the law of diminishing returns, the question is whether enough money will be available to meet the objectives laid down by the Government and to meet the promises that we might make about future funding to people who receive moneys early on.

The final concern is exactly how much money is lying in dormant accounts. The Secretary of State has rightly said that estimates vary massively. The British Bankers Association estimates the value of dormant accounts at between £400 million and £500 million. *The Sun*—and I leave it to the Economic Secretary's discretion whether to believe its figures—says that the value is £1 billion. The spectrum seems to grow daily.

I rarely congratulate the banks, but they deserve our congratulations in one respect. Since the launch of the mylostaccount.org.uk website, many people have been rightfully reunited with the money in their dormant accounts. The number of people claiming for lost accounts has trebled since the website went online, with 760 claims being made a day. To date, 140,000 people have been helped, which is a sizeable effort by the banks. A cost argument was made by the hon. Member for South Derbyshire (Mr. Todd), who is no longer in his place, but that is not my point. My point is that that figure was achieved through use of a website, which is not the most costly form of distributing information. Perhaps we should ask why the banks did not do this before. The Economic Secretary might be able to tell me what conversations he has had in that respect and whether there is a case for the banks to answer.

NS&I has had more than 25,000 successful traces, amounting to £41 million of restored assets, and to date Halifax Bank of Scotland has reunited people with more than £18 million of dormant funds. HSBC has also made sizeable efforts to return funds. The banks are to be commended, but their efforts will detract from the amount that will be available in future years.

The success in tracing dormant accounts will have an impact on the estimates of the revenue that will be raised, and the Government have already said that money is to be earmarked primarily for youth services, among other projects. They also want to use the money for financial capability and inclusion services. My golly, if there was ever a good time to think about financial capability and inclusion, especially for bankers and the City, this is it. Given that, more money will need to be spent on the Government's objectives.

[Mr. Brian Binley]

I especially welcome the boost for the third sector. Incidentally, I hate calling it the third sector; it sounds like something out of "Star Trek". I prefer to call it the voluntary sector. We are promising a sizeable amount of money for some sizeable projects. At a fringe event at the Labour party conference, the Minister of State, Home Department, the hon. Member for Oldham, East and Saddleworth (Mr. Woolas), who was then Minister with responsibility for the third sector, confirmed that a financial institution to channel those funds "is going to happen". That will involve further sizeable cost.

Under an amendment in the other place, building societies and banks with group assets of less than £7 billion would be able to distribute some of the money through their own community schemes. There are 59 building societies in the UK, many of them capable of taking up that offer, and many smaller banks will want to do the same, although pray God they survive the present conflagration of banks. The money will therefore add up to a sizeable amount. We must ask how much money will be available to meet the expectations that have been raised in the fields to which we have referred.

I am also concerned about the proportion of money that will be issued by the Minister, as I understand it, to England, Scotland, Wales and Northern Ireland. I hope that I will be forgiven if I say that I am concerned that the Government have that matter under their control through the Minister. I am sure that the present Minister is a most honourable person; I have no doubt about that at all. However, when I consider the way in which the revenue support grant has been used for political ends and the way in which the Government have shifted money to those areas that they consider their priority—it is not unnoticeable that many of those areas are where Labour Members sit, but I would not cast any aspersions about that—it raises concerns. It is fair to ask questions about the possible creation of greater concern about the proportionality of the distribution of the money. I believe that the Government should make a statement on the issue before the Bill is passed—I hope that we will hear something tonight.

I have talked about the money being considerably less than was expected, and I wonder whether the Government are not promising more than they can deliver. What percentage of the funds would be channelled into new projects such as those mentioned by many people tonight? Into what other areas might the money go? I am concerned about the differential between England, Scotland, Wales and Northern Ireland. I recognise the point about devolved government, but that is no reason to diminish our rights in the country of my birth and infant nurture, England. I fear that we might miss out again, and I do not think that my constituents would be overly happy about that. I could go on about many other issues, but they have been raised by other Members tonight and I would not want to test your patience, Madam Deputy Speaker, by referring to issues that have already been well rehearsed.

My major point of concern is the Government having their hands on money on which they should not have their hands. Like many people in my home county of Northamptonshire, I have a healthy fear of the Government's ability to spend my money and their money. I therefore want perfect clarity and transparency in how that money is to be spent. I fear that when Government projects go over budget—we all know that they regularly do—there is a temptation to find ways to ease money out of other sectors from which it perhaps should not be eased and to place it into areas that are, in truth, the Government's responsibility.

I do not want to dwell too much on the Olympic games, but they are a particularly good example of how moneys that were not meant to be spent on such projects are now being spent in large sums. We were originally told that the Olympic games would cost £3.4 billion with a further £738 million coming from the private sector. That has grown to £9.325 billion with only—

Madam Deputy Speaker (Sylvia Heal): Order. I wonder whether the hon. Gentleman is now going to relate his remarks to the Bill that we are discussing.

Mr. Binley: I am grateful that you should direct me in that manner, Madam Deputy Speaker. The final statement that I was about to make was about the amount of money coming from the Big Lottery Fund to support the Olympic games. That is why the two earlier figures were relevant. It is estimated that 20 per cent. of the Big Lottery Fund's money from between 2007 and 2013 will be spent on the Olympic games. I and many of my constituents certainly believe that that is an improper use of lottery fund money.

I raise that point in the hope that we will not see such behaviour with regard to the dormant funds of many honest and good people who have forgotten about them, died or moved elsewhere, leaving behind the money in the bank accounts that we need to take in this way. I call on the Minister to reassure us that that money will not be spent to prop up Government expenditure over the next three, four or five years, when the Government will be stretched.

I come to the end of my remarks, but I have one final plea. Enough comment has been made and enough concerns have been expressed tonight to make us wary and—to support the comments made by the hon. Member for High Peak—to make us dedicated to getting this right. I know the Minister to be an honest and fair man and that he will want to achieve the same outcome. I hope that he will tell us as he sums up how he might achieve that and how the Government might act in Committee to meet many of the concerns that have been raised this evening and to prove conclusively to the British people that the measure will be a fair and honest way of spending money from dormant accounts and to use it rightly for good ends, rather than to support the Government at a time when their own financial concerns are under immense stress.

7.36 pm

Mr. Charles Walker (Broxbourne) (Con): It is wonderful to be back after a long summer recess, and thank God we are back. Let us look at what happens when the House goes into recess for 10 weeks: Russia goes to war, there is a global banking crisis, stock markets are routed and inflation hits 5 per cent. The nation can breathe more easily now, because we are back. Parliament is back and those troubles will be quickly put behind us.

Let me make a serious point. When we started the debate a number of people asked whether, given the problems in the financial and banking sectors, this was the right time to have the debate and whether we should

not focus on more important and pressing matters. On reflection, this probably is the right time to have the debate. We cannot allow the ongoing banking crisis to dominate everything we do in our political lives, because the world goes on. I am more than happy to have this debate today.

The fact that we have to raise such concerns about whether we should be having the debate is testament to the fact that we have an incompetent banking sector that has overextended itself in a number of ways with other people's money—a bit like the Government, in fact, although it would be churlish to continue down that line. Every cloud has a silver lining, though. When I left here in July, as a politician I belonged to the most hated profession in the country. I came back as a member of the second most hated profession in the country, because we have been replaced by investment bankers. I am slightly grateful for that.

Let me be serious. It is important to recognise that the money that we are discussing does not belong to the banks. It is deposited in banks at the moment but it belongs to people who have forgotten that it belongs to them, who have died or who have simply failed to use their bank account for a number of years. I recall at least one building society account and one bank account from my early teens that I no longer use. One is with Barclays and one with the Chelsea building society, but there is not a lot of money in either—there was, I think, about £10 in each one when I last looked 30 years ago.

We need to discuss sensible measures for the long-term use of this money. I have been slightly confused by the numbers discussed today. Some people have said that the figure is £500 million, while my hon. Friend the Member for Northampton, South (Mr. Binley) told us that *The Sun* had scandalously said that it could be £1 billion. My researcher said that it is somewhere between £15 billion and £20 billion, according to the unclaimed assets register in 2007. I am sure that he has a great future as an investment banker, taking £1 and leveraging it 30 or 40 times. However, a vast sum is involved, and perhaps a lot of the money on the unclaimed asset register lies in different places outside people's bank accounts.

There is a good argument to return the money to the community. I am sure that local communities can put it to better use than the banks can. My word, if they could not do that, they would be in trouble. With the greatest respect, they can probably put it to better use than the Government can. As one of my hon. Friends pointed out, the Government spend £500 billion or £600 billion a year, so even if the sum is £1 billion or £2 billion at the high end, it is but a fraction of what the Government spend. Nevertheless, it is still an enormous sum that can make a great deal of difference to a huge number of people.

Of course, I would very much like young people to benefit from that cash. We have a number of issues with youngsters, many of whom are absolutely wonderful members of the community, but many of whom need a good deal more time and care spent on them to ensure that they have the opportunity to live out happy years as youngsters and to grow up into productive members of society. Many organisations—the Sea Scouts, the Scouts, the cadet forces and so on—do wonderful things with young people and have a proven template that works, and they could put the money to good use. Many community facilities could receive investment. Young people have lots of energy that they want to get rid of, and that energy needs to be channelled. A number of boxing clubs around the country struggle for funding, year on year, but they are very good at diverting youngsters from the street and possibly from a life of crime. All those things are good.

A number of hon. Members have also pointed out that charities have some claim to the money. It would be fantastic if some of the money went to hard-pressed charities. After all, about one in seven people make a bequest to charity in their wills. Of course, the cancer charities, such as Cancer Research UK, do a fantastic job. They help tens of thousands of families, and they raise tens of millions of pounds to alleviate suffering and find new cures. However, on the whole, cancer charities are well funded; they have high levels of public awareness. Now, in the run-up to world mental health day, it would be wonderful if some of the less glamorous charities that struggle to secure funding could find a way to access the money. I leave that with the Minister to reflect on.

I served on the Committee that considered the National Lottery Bill and went for the Big Lottery Fund. I have met representatives of the Big Lottery Fund, which is full of bright, capable people, but I am not sure whether "big" is the right word to use; it is a sort of slightly smaller and ever-shrinking lottery fund. Trade descriptions officers would probably have a few concerns about the use of the word "big". It is a bit like buying cereal at discount retailer. It is very cheap, but it is called luxury cereal to make it look attractive. The Big Lottery Fund is being rather over-egged as a vehicle to deliver the money. Too much of what the fund does involves replacing expenditure that should come from the Government.

I would be extremely concerned if the money just went to fund more things that should be funded by central Government. My constituents in Broxbourne, like those of my hon. Friend the Member for Northampton, South, would be very concerned to think that money, which could make a once-in-a-generation difference to young people in their community and to charities that serve their community, was somehow siphoned off to fund expenditure and projects that most people think the Government should fund. Again, I have tried to raise that issue in a non-partisan way, and I hope that the Government will take that concern on board.

I should just like to have a little dig at the banks—why not? I would be foolish to let this opportunity pass, to be honest. To be fair, we have heard a lot of Members say today, quite rightly, that the banks have been good at tracking down the people whose accounts have fallen into disuse and repatriating the money to the original depositors, but it took the banks rather a long time to get to that stage. We wonder what they have been doing for the previous 20 or 30 years.

I might have heard wrong, but I understand that some of the money may go towards making people financially literate—educating them about bank accounts and borrowing—and the banks have a lot to fear from that. They have made a huge sum over the past 10 years by playing off people's lack of financial literacy. They have ruthlessly pushed self-certification mortgages and people borrowing far more than they can pay back—five or six times their earnings—and they should hang their

[Mr. Charles Walker]

heads in shame. Of course, we must all take responsibility when we borrow money, but the banks have been pretty shabby in their behaviour.

Finally—I hope that this point does not take me out of the bounds of the Bill, Madam Deputy Speaker—the banks simply refuse to serve many communities. They have no interest in serving them, because they do not believe that there is any profit in doing so. We have heard that banking is a low-margin business. Banking is not a low-margin business. The margins in banking are very good, and one has only to look at the banks' profits to realise that that is the case. The reason investment banks are in trouble is that they got very greedy, and a number of retail banks got very greedy as well. If the money goes towards educating people about the risks of over-extending themselves, that is a good thing. If that has an impact on the banks' ability to make profits from the most vulnerable people in our society, that is an even better thing.

7.46 pm

Martin Horwood (Cheltenham) (LD): I rise to defend the good name and judgment of mutual building societies and, in particular, the Lords amendments that seek to allow the largest of those building societies to exercise their judgment and to follow the priorities of their members, rather than those of the Government, in distributing some of the funds that we are discussing tonight.

I claim two qualifications for speaking this evening. As Member of Parliament for Cheltenham, I am, perhaps slightly unexpectedly, the local MP for the Chelsea building society's headquarters. I could not speculate about why it went up-market and ended up in Cheltenham, but I am glad that it did so, as it has been a welcome contributor to the community in Cheltenham and a responsible and ethical presence in our community. I am one of the few hon. Members who has successfully won funding by applying to the national lottery funds and bank and building society foundations in my earlier career as a director of fundraising for a national charity. So I have had experience of the funding processes of both sides, and I shall return to some of that experience later in my remarks.

It is rather a topical time to debate these issues, particularly the status of the mutual building societies. It is all very well for the hon. Member for Broxbourne (Mr. Walker) and other Conservative Members to decry the greed and irresponsibility of the banks, but the Conservative party is rather a fickle partner in that respect, since it has been absolutely in love with the banking sector and some of the more exciting practices of, for instance, the demutualised building societies for many years. It obviously encouraged that process when in government. It is telling to note that we have now witnessed the final demise of all the demutualised building societies. They have all either crashed or been swallowed or nationalised. We have none left, but we have a relatively healthy mutual building society sector, which, thankfully, is still with us. The mutuals still have tens of millions of members and £150 billion-worth of assets, and they are one of the healthiest sectors of the financial services industry, with loans overwhelmingly backed by retail savings.

We ought to listen to the large mutual building societies. They have concerns about the direction of the legislation, and those concerns were reflected in the Lords amendments. In the Bill, there is a £7 billion threshold above which banks and building societies would lose control of the funds. Funds above the threshold would be handed to a reclaim fund that would be administered, ultimately, by the Big Lottery Fund. The amendments proposed in the Lords removed that threshold for building societies and allowed larger building societies, but not banks, to administer those fund through their own charitable foundations. That was a good thing. I am afraid that I was disappointed by the Chief Secretary to the Treasury's opening remarks, in which she suggested that the Government would try to overturn those amendments. I hope that the Economic Secretary to the Treasury and his colleagues will think twice before fighting that battle, because they would be quite wrong to do so.

After all, what is the difference in principle between a building society that has more than £7 billion-worth of assets and one that has less than £7 billion-worth of assets? There is no difference apart from size. Both are mutual organisations that exist for the benefit of their members and that have exercised good judgment in doing so; £7 billion is a completely arbitrary figure to choose. As I pointed out in an intervention, the Chief Secretary to the Treasury rather misleadingly implied in her opening remarks that we were talking about the stratospheric, top layer of the building society market, and that most building societies would still be able to administer their own funds. Of course, that is true in numerical terms, but in terms of the assets, the 80-20 rule applies. Some 83 per cent. of all building society assets are controlled by the seven top building societies.

We need to examine the Government's rationale for trying to remove the right of building societies to administer funds that are made available from dormant accounts. That will tell us a lot about the Bill. Perhaps the Government think that the Big Lottery Fund will be a more efficient, more expert and more supportive funder than the building societies' own foundations. I have to say, from my experience as a charity fundraiser, that the reverse is true. The lottery funders, through no real fault of their own—it was more the fault of the way in which the original legislation was designed—had to administer a pretty bureaucratic, awkward system, from which most charities found it a bit of a nightmare to extract money. In contrast, bank and building society foundations such as the Lloyds TSB and the Nationwide and Chelsea building societies foundations have extremely good reputations in the voluntary sector. They are able to administer funds wisely, and as hon. Members have said, the fact that they look to some of the less popular, more difficult causes earns them a lot of praise in the voluntary sector.

Perhaps the Government thought that there was a higher rate of dormancy among large building societies. Again, I am afraid that the reverse is true; building societies generally have higher average balances and therefore a lower rate of dormancy overall. The statement might apply to the large banks, but it certainly does not apply to large building societies.

Perhaps the Government thought that they are better judges of how the money should be spent, because of their strategic plans. That brings us back to the issue of independence and additionality. I am really disappointed

by the fatal words in clause 23(3), which do a lot to undermine the good work that the Government did—I am happy to give them credit—during the passage of the National Lottery Bill only three years ago. That Bill sought to address the issue of the mistreatment of some of the lottery funds. That mistreatment had given lottery funders quite a bad reputation. One need only think of the way in which the New Opportunities Fund was set up; on one notorious occasion, funding announcements were made by a Minister at a Labour party conference. There was the school meals episode, in which the Government awarded hundreds of millions of pounds not from their funds, but from lottery funds. Those are examples of exactly the kind of practices that the National Lottery Bill was designed to prevent. It was a good piece of legislation that enjoyed all-party support. It should have tackled the issue and made unlikely any further Government intervention. However, clause 23, entitled "Directions to Big Lottery Fund", has the fatal phrase:

"Subject to subsection (6), the power to give a direction under this section is exercisable by the Secretary of State."

It is sad to read those words in the legislation. They begin once again to undermine the independence of the lottery funders. The funds are no more the Government's than any other lottery funds ever were.

In the case of banks, money from dormant accounts is, in a sense, the property of the original bank account holders, but in the case of building societies, it is certainly the property of the members of the building society. It is unfortunate that the Government should seek to exercise their control by means of strategic plans on how the money should be spent. I am perfectly happy to accept that youth services, for instance, are underfunded; they have perhaps been neglected in previous years. However, that does not make it right for the Government to start rewriting the rulebook on how lottery money is spent.

Perhaps the Government thought that there was no difference in kind between banks and building societies. However, the legislation accepts that there are different kinds of accounts. Perhaps the Economic Secretary would like to explain why National Savings & Investments is exempt from both the £7 billion rule and the legislation as a whole. It is regarded as different and special. I would say that the mutual building societies are different and special, in that they have an obligation to serve their members. The money is, in a real sense, not the company's property but the property of its members. It has a duty to its members, and not to any shareholders who could be suspected of ulterior motives by the Government. There is an important difference in kind, which is rightly reflected in the Lords amendments.

Perhaps the Government think that the big building societies are somehow less able to manage, account for and distribute funds than the Big Lottery Fund or the Government. Once again, the reverse is true; almost all the large building societies have already set up an infrastructure that has a very strong reputation when it comes to accounting for, recording and reporting the use of charitable funds. Their established charitable foundations are a well-established, highly respected set of bodies that are very good at administering charitable funds.

We are left with only one obvious explanation why the Government should seek to apply the £7 billion threshold to building societies as well as banks: the Government must have some political reason for bolstering the Big Lottery Fund. Perhaps there is embarrassment about the underfunding of youth and other services that they now seek to support. Perhaps they are embarrassed about the use of lottery funds to subsidise the Olympics. However, I urge them to resist their command-and-control tendencies and those slightly Stalinist inclinations that have characterised so much new Labour legislation. I ask them to step back and recognise the importance of the independence of the mutual building societies, and of the Big Lottery Fund, and to trust those bodies to stand up to political interference and to administer funds wisely, as they have done with regard to many hundreds of millions of pounds over decades. The Government should take this opportunity to dispel any suspicions. I very much hope that the Lords amendments will stand, and will not be removed by the Government. If the Government take the path that I suggest they take, they will have my full support.

7.58 pm

James Duddridge (Rochford and Southend, East) (Con): The hon. Member for Cheltenham (Martin Horwood) makes a powerful case on behalf of mutuals, but his case is sometimes somewhat weakened by ill-judged comments elsewhere in his speech. He would be better off sticking to substance, which he does very well, than making cheap party political points that are badly placed, badly timed and badly delivered. I welcome the Economic Secretary to the Treasury to his new role. The hon. Member for Clwyd, South (Mr. Jones), who has long campaigned on the issue, made an excellent speech.

For as long as I can remember, this has been a live issue. In fact, the money that might be raised has been spent several times over in party political pamphlets, debates and so forth. Our debating the issue today is horrendous timing, but at least the measures are finally forthcoming. I say "horrendous" because we are taking money out of the banking sector today only to put it back in next week. I am sure that the accountants will say that the money is both an asset and a liability, and therefore does not affect the capital adequacy ratios, but that misses the point somewhat. It is relevant to the point about liquidity: it is cash in the bank, and the capital adequacy ratios are designed only to measure liquidity—they are not the fundamental themselves.

It is right that the Government have gone down the voluntary route, rather than that taken in places such as US, Ireland, Australia, New Zealand, Spain and Canada of a more compulsory system. Listening to the debate, I detected a massive amount of confusion. If I received £1 every time a different figure was mentioned for the amount in dormant bank accounts, I would be a very rich man. My experience, both in this debate and outside the House in preparation for it, shows that where there is a compulsory system, the amount of money brought in is much larger than anticipated. The figure of £20 billion is the highest number that I have heard of, and it appeared in an article in *The Times* in late 2006.

For a long time, the banks were under pressure to give up all that money. They thought it might be mandatory to do so, and that it would be expensive to administer the process. I probed the Chief Secretary to the Treasury

[James Duddridge]

at the beginning of our debate, because the numbers cited by the British Bankers Association and the Building Societies Association were low, and historically, were pushed down by the banks to depress both the amount of money they would have to give over and the administration involved in doing so.

Turning to the 15 years rule, the hon. Member for Taunton (Mr. Browne) made a good point about asking the Treasury for a cash flow of likely moneys. If we obtain that information before Committee, we will be able to tease out some of the numbers involved. What will be the one-off hit in year one, next year, and so on as the money comes out? The Economic Secretary is shrugging his shoulders, but it would be useful to have such an indication. Clearly, we will not have exact figures, as it would be quite complicated for the banks to provide them, but there are basic assumptions at which the Minister and his civil servants could look. I am sure that, deep in the Minister's briefing pack, is information on phase 2 of "Know your customer" and information about money laundering for banks. The focus in that process on money laundering compelled the banks to contact many of those customers, even if the accounts were dormant. As a result of "Know your customer", either the banks will fail in not observing the money laundering regulation or they will indeed have codes against each account and each connection of accounts, even if that is across a number of financial instruments or, indeed, geographic locations, that will say that they tried to contact those customers, particularly about the large amounts, but were unable to do so.

Clause 12 deals with the triennial report to Parliament. Subsection (2)(f) deals with a report on the operation of the dormant account arrangements, including

"the desirability and practicality of establishing similar schemes for other categories of assets"

which may have become dormant. I am deeply concerned about what that may include, and throughout the debate, I have grown increasingly concerned. My list of three or four issues has developed into a list of 10 across a range of financial instruments, including physical assets associated with proxy financial holdings such as gold and things such as safe deposit boxes. Why, if someone went to HSBC and deposited £100 in an account 16 years ago, should that sum be taken away and considered dormant because there has been no contact? However, if they put £100 in an HSBC deposit box 16 years ago, the Government are not suggesting that that should fall within the realms of the measure. In a number of banks, there are safe deposit boxes containing a large number of assets, some of which would be considered dormant under the definitions in the Bill. Alongside those boxes are share certificates and bearer bonds without any name. Taking that to an extreme, the wording in the Bill does not include unused assets, which some people would consider financial assets such as, for example, a buy-to-let house or a house that used to be rented that has fallen into disrepair. I would imagine that in most parliamentary constituencies there is a house that blights a corner of a particular street: no one is quite sure who owns it, and it has fallen into disrepair. Would that be included in the measure?

The Bill will have a major impact on a number of industries. Hon. Members have spoken about people not collecting gambling revenues. If someone won several hundred pounds on the horses, they would know about it: they would follow the race, and they would be likely to collect their winnings. However, if they bought a raffle ticket in the lottery, they would be less likely to know about a win. Who owns that unclaimed asset? If someone has made a purchase for a small amount—£1—perhaps they do not value the ticket as they would if they made a large deposit. However, sitting behind that ticket may be a large revenue or income stream. There is a broader issue, too, about insurance policies.

I am reminded of a business that I read about that sold travellers cheques. The main revenue from that business did not have anything to do with the selling of travellers cheques; it was the revenue that was left in a bank account for everyone who lost their travellers cheques but did not exchange them for cash. Who owns that money? A number of businesses will be concerned that their fundamental business model will be wiped away in that three-year report and by the picking-up of disused funds.

A number of Members have spoken fluently about wanting a clearer definition of dormancy, and I was superficially persuaded early in the debate that that was a good idea, but I very much fear that, given that this is a voluntary system, there will be banks and building societies that want to hand the money over, but are concerned about how they do so under the definition of dormancy. They may get it wrong or go into a scheme and not pick up some accounts as a result of the Government's definition of dormancy. If there is a voluntary system, it is probably better not to have that definition.

Turning to the Big Lottery Fund, I ought to exercise caution, given that it is coming to Southend next week to show us some of the good works that it has undertaken. My experience to date, however, is that big donors seem to get bigger, and the money is tied up in bureaucracy and administration. People try to get the money out of the lottery. I have visited many community groups that want help to fill in forms to get money, but it eventually transpires that they are not eligible for such money or do not fit into a category. That is the complete opposite of one or two other funds that I know such as the Essex Community Foundation and the Southend Fund, which touch a number of charities, and donate small amounts—£1,000 or £2,000. I cannot help but think that the Government have missed a trick by going to the Big Lottery Fund. [*Interruption.*] My hon. Friend the Member for Broxbourne (Mr. Walker) says that it is not big by national standards, but at a local level it is still millions of pounds, and perhaps organisations that deliver small packages of thousands of pounds would be a more effective distribution channel. Perhaps we should focus on microfinance, particularly social enterprise.

Mr. Walker: The problem with the Big Lottery Fund is that its name is a bit of a misnomer. Over the past five to 10 years, the amount of money distributed by the lottery to good causes and charities has become smaller and smaller.

James Duddridge: I now understand what my hon. Friend is saying. He is not trying to say that it is not the Big Lottery Fund or a little lottery fund—it is simply a diminishing lottery fund. I have now got the point.

As for the issue of taking the money out of the banks, the Government have missed a trick. The old-fashioned bank manager who knew the local community could be an asset for the Government because, rather than investing in normal loans for commercial profit, such banks could be allowed to retain some of that money and to lend either to social enterprise as part of their community support function, and follow that enterprise through or, indeed, go down the line of microcredit to pump-prime capital for microfinance and microcredit in the UK—a system that has been successful in developing countries elsewhere.

Finally, I should like to probe the Minister further about the differential treatment of dormant bank accounts. There is clearly a major difference between accounts that have £5, £50 or £50,000 in them, yet by my reading of it, the Bill deals with such accounts in very similar ways. I am not entirely sure that that is appropriate.

8.9 pm

Mr. David Gauke (South-West Hertfordshire) (Con): It is a pleasure to wind up this Second Reading debate, but before I deal with the points raised during it, I should first declare an interest as a non-executive director of an institution that takes deposits, albeit one that has only recently been licensed to do so and is therefore unlikely to have any dormant bank accounts for some years.

Secondly, and perhaps more importantly, I should welcome the hon. Member for Dudley, South (Ian Pearson) to his new post as Economic Secretary to the Treasury. I recognise that he will be dividing his time between being a Treasury Minister and being a Minister in the Department for Business, Enterprise and Regulatory Reform. I am not sure whether his brief is, on behalf of the Treasury, to keep an eye on the new Secretary of State for Business, or to keep an eye on the Treasury on behalf of the Secretary of State for Business, but either way, I wish him well in his new post. He may well be forgiven for questioning the timing of the debate. After all, the Bill left the other place in February this year, and he may consider it somewhat unfortunate that we are debating it in this place within about 24 hours of his appointment. However, I am sure he will have mastered the details of the Bill for his winding-up speech.

We began our debate from the Back Benches with a useful contribution from the hon. Member for Clwyd, South (Mr. Jones) who clearly has a long-standing interest in the matter, which appeared to be provoked by his discovery that he was paying a direct debit to the funds of the Labour party, of which he knew nothing. There is nothing unusual about that. It probably applies to thousands of trade unionists most of the time, the difference being that it turned out that the bank account to which the funds were going was dormant. It might have been best to let sleeping dogs lie, but that was not how the hon. Gentleman approached it. He has played a significant role in the development of the debate.

As I run through the issues that we debated, I shall address some of the concerns raised by other hon. Members. The Opposition are broadly sympathetic with the details of the Bill and we will support it this evening. The first part of the Bill relates to the raising of funds from the dormant accounts. The second part deals with how those funds are distributed. We are sympathetic to the structure of the first part. It is right that financial institutions are encouraged to reunite deposit holders with their assets—a point made by my hon. Friend the Member for West Suffolk (Mr. Spring)—and we acknowledge the steps taken by a number of financial institutions to do that.

We support the principle of a voluntary scheme. The hon. Members for High Peak (Tom Levitt) and for Clwyd, South, the hon. Member for South Derbyshire (Mr. Todd), speaking in his role as the emissary of the Treasury Committee, and my hon. Friend the Member for Bromsgrove (Miss Kirkbride) questioned whether a compulsory scheme would be better, or whether we should keep the option open and include provisions for a compulsory scheme at a later date, should a voluntary scheme be found not to work.

We share the Government's approach. We think it would be useful to use the expertise of the private sector in a voluntary scheme. It would be cheaper and more efficient, and therefore a better way of raising funds for good causes. It would be a fundamental change in the nature of the Bill were it to contain reserve powers for a compulsory scheme at a later date. If there is a switch to such a scheme, Parliament should consider it closely and properly and have the opportunity once again to debate the matter in the form of primary legislation.

We also share the Government's caution—I think that that would be a fair word—about the definition of dormant. We do not want to adopt an aggressive approach and we think 15 years is an appropriate length of time before an account is considered dormant. We also support the idea, which was advocated by the noble Baroness Noakes, that banks or building societies must use their knowledge of the account, the account holder or any other relevant matters in determining whether an account is dormant. We do not want funds to be paid out, only to be followed by significant numbers of claims on dormant accounts that are no longer dormant. We understand the Government's caution in respect of the 15-year limit.

It is essential that deposit holders are able to reclaim their funds, notwithstanding the fact that the account has been dormant for some time. It is vital that such confidence exists, so that there is no basis for the criticism that is sometimes made that the Bill is a grab for other people's assets. Again, we share the Government's approach on the fundamentals, but there are differences, particularly on the scope of the assets covered. As the hon. Member for South Derbyshire observed, the Treasury Committee considered the issue and questioned why, for example, pension and life assurance funds could not be included in the scheme. It would helpful if the Minister could address that.

In particular, it is worth considering National Savings & Investments. The hon. Member for South Derbyshire described as somewhat thin the Government's arguments for not including that. It is notable that in the debate in the other place the Government argued that that would result in an extra tax burden or increase Government borrowing or Government debt. That does not make sense. A dormant account with NS&I, were it to be closed, would be a reduction in debt in one respect and, transferred elsewhere, would be a creation of debt somewhere else. For balance sheet purposes, it would have no implications, so I do not see what the Government's defence is. If they are saying that it is for taxpayers' benefit not to include NS&I, we need to understand why.

[Mr. David Gauke]

It is worth making a parallel with one financial institution that will presumably be affected by the legislation—Northern Rock. Will the Minister confirm whether Northern Rock will participate in the scheme? It is, of course, a voluntary scheme, but the arguments made for NS&I could apply to Northern Rock. I would be grateful for the Minister's thoughts on that.

We support the principles underpinning the Bill, but we want to see how it will work. That is the purpose of the triennial review provided for in clause 12. That will enable Parliament to see how the scheme is working and to examine the arguments about whether it should be extended. It would be helpful for the process to take place not just once, but on an ongoing basis, although clearly it is important, three years after the Bill has come into force, to see how the process is working, given the accumulation of dormant accounts. We therefore hope that the Government will not seek to amend or repeal clause 12 or the provisions relating to ongoing triennial reviews.

We also think that parliamentary accountability is important. We have already discussed the reclaim fund in today's debate. The Chief Secretary referred to the fact that the reclaim fund is very much a private scheme, but we must remember what it is there to do. It serves a public end, having the purpose of providing funds for good causes, but it must make a judgment about what can be distributed safely and what will need to be held back in the event of any subsequent reclaims.

Parliament will want to be able to take a view on how the reclaim fund is performing. We must also remember that the reclaim fund is subject to direction from the Treasury, under clause 5(4). The fund is very much a public body. Notwithstanding the fact that it is a private scheme created by the BBA and the BSA, it performs a public role and Parliament is therefore entitled to take a view.

The second issue is how money will be distributed. That provoked a great deal of comment from Conservative Members. Concerns about the efficiency of the Big Lottery Fund were raised by my hon. Friends the Members for Broxbourne (Mr. Walker), for West Suffolk and for Rochford and Southend, East (James Duddridge). Concerns were also raised about the lack of clarity about the objectives. In a sense, there are three objectives: youth services, financial inclusion and the social investment bank.

However, as my hon. Friend the Member for Fareham (Mr. Hoban) made clear in his opening speech, it is not clear what proportion will go to which objective, what the priority will be or who will allocate. As far as we can see, the Secretary of State for Children, Schools and Families will have that role, although he is responsible only for youth services, not the other two objectives. Does that mean that youth services will be seen as the most important? It might be right for them to be seen as the most important, but we have not had that clarity from the Government. Again, I would be grateful for some clarification from the Minister.

A number of hon. Members mentioned additionality. My hon. Friends the Members for West Suffolk, for Northampton, South (Mr. Binley) and for Broxbourne all raised concerns about whether the expenditure resulting from the Bill would go on things that the Government already intended spending money on anyway, or on things that would be funded by the lottery but which the lottery cannot fund because the funding is going to the Olympics. That raises a concern about the involvement of the Big Lottery Fund, in that there could be a lack of clarity about where such sums are coming from.

That brings me to one of the most important issues, on which the hon. Member for Cheltenham (Martin Horwood) spoke very authoritatively—namely whether banks and building societies should be able to use their own charitable trusts for funds created as a consequence of dormant accounts or whether everything should go through the reclaim fund and the Big Lottery Fund. The particular area of dispute concerns the larger building societies. There is an agreement on the part of the Government that smaller building societies should be able to use their own charitable trusts because they have strong links with local communities. There is no argument that large banks or banks as a whole should be able to use their own charitable trusts, although it is worth noting that the Government recognise that large charitable trusts can play a valuable role in particular communities.

Again, it is worth considering the example of the Northern Rock Foundation, which, although Northern Rock has been nationalised, the Government still fund with something like £15 million a year, to be spent in a particular part of the country. If that is an appropriate approach, one wonders why the Government cannot look into the issue more broadly in the context of this Bill.

The Government recognise that small building societies may distribute funds through their own charitable trusts, but remain resistant to allowing bigger building societies to do so. However, the larger building societies dominate the market. There might be only seven or eight building societies that exceed the £7 billion asset barrier, but their assets constitute some 83 per cent. of all assets. They are still mutual societies, working in particular areas and rooted in communities. I urge the Government, in the current spirit of bipartisan co-operation, to look into the issue again.

We will support the Bill this evening. It serves a valuable purpose, and it has been improved by amendments during the course of proceedings in the other place. We urge the Government not to reverse those amendments. In its present form, the Bill addresses the main concerns while allowing some flexibility for the larger building societies. It provides sufficient—or, at least, adequate—parliamentary accountability, and we urge the Government not to seek to take it back to its position when it first went to the other place.

8.24 pm

The Economic Secretary to the Treasury (Ian Pearson): This has been an interesting and wide-ranging debate covering many significant matters in the Bill, and, indeed, some that are outside of it. I am grateful to all hon. Members for their contributions, and for the generally constructive way in which they made their points. As has been said, the purpose of the Bill is to enable money in dormant bank and building society accounts to be reinvested for the benefit of the wider community, while at the same time ensuring that consumers are protected, and I am delighted to welcome the unanimous support of all those who spoke in the debate today.

In addition to those who speak for the Opposition on these matters, we also heard three very impressive contributions from my hon. Friends the Members for Clwyd, South (Mr. Jones), for South Derbyshire (Mr. Todd) and for High Peak (Tom Levitt). My hon. Friend the Member for Clwyd, South is a long-standing and passionate champion of using dormant accounts for good causes, and he made a number of important points. Likewise, my hon. Friend the Member for South Derbyshire, who has looked at these issues extensively, raised a number of points, and I shall try to address the key arguments that he put. Similarly, my hon. Friend the Member for High Peak raised a number of significant issues concerning the nature of the funding, which I hope to address in due course.

We also had a number of probing contributions from the hon. Members for Bromsgrove (Miss Kirkbride), for Northampton, South (Mr. Binley), for Broxbourne (Mr. Walker), for Rochford and Southend, East (James Duddridge), for Cheltenham (Martin Horwood) and for West Suffolk (Mr. Spring).

Mr. Walker: I have just one brief question. What is a social investment wholesaler, and is there such a thing as a social investment retailer or a social investment discounter? I hope that the Minister will be kind enough to help us clear that up.

Ian Pearson: I will indeed clear that matter up in due course.

I reiterate the welcome for the constructive spirit of openness that was expressed by my right hon. Friend the Chief Secretary to the Treasury in her opening remarks, and I am sure that the Members who have spoken today will be interested in discussing these issues in detail in Committee.

This scheme will be simple for consumers. The hon. Member for Taunton (Mr. Browne) called it "convoluted", but, on the contrary, the consumer experience will remain the same. The intention is that consumers would still use their bank or building society, which would maintain their account records. The consumer would retain the right to payment, and if they wished to reclaim their dormant assets, the process should be as simple as marching into a bank or building society—or writing to it—and demonstrating proof of identity. The consumer would then get the money that was rightfully theirs. There is nothing in the legislation that should prevent that.

I also want to stress that we believe that a voluntary scheme will work. The industry is publicly committed to it, and in the past few days has reiterated its commitment through comments from the British Bankers Association and the Building Societies Association. It is important to recognise that only a small fraction—seven hundredths of 1 per cent.—of the total banking assets are going to be transferred. Nevertheless, that is a significant sum in total, and it is right that we should deploy it to good causes. I shall say more about the calculation of that figure in a few moments.

I also want to stress the importance of the reuniting process that has been going on and to welcome the launch of "mylostaccount" in January this year. More than 175,000 people have submitted search forms on the site, and banks and building societies have reunited people with about £50 million since its launch.

A number of amendments were made in the other place and I want to stress that the Government have listened to the points that were raised there. We recognise the need for greater transparency over the operation of the reclaim fund. We will table amendments to that end. We agree that reviewing the operation of the reclaim fund is important, but we do not accept the need for a triennial review in statute in perpetuity—an issue that we will want to discuss further in Committee.

Some hon. Members made detailed points about the absence of a central register. Let me point out in response that mylostaccount.org.uk allows searching by name as well as by institution and it is possible to search multiple institutions. I reiterate the success of that initiative over the current period. We welcome all constructive proposals on how further to improve the reuniting arrangements, but our current view is that a central register would be expensive and would place a significant administrative burden on the scheme. That is why legislating for a central register is neither necessary nor proportionate. Unlike with "mylostaccount", a central register would involve the transfer of significant amounts of personal data from banks to the register operator. It is important that financial institutions treat customers' confidential data appropriately and, in addition, within the confines of the Data Protection Act 1998.

The Bill allows banks to transfer customer information to a reclaim fund to deal with repayments. Of course, banks will generally act as agents of the reclaim fund and handle the reclaims, so it should be as simple as possible for customers to get the money that is rightfully theirs. There should be no need for routine transfers of information to the reclaim fund, but that would be very different if there were a central register. That is one of the reasons we do not favour that proposal.

The hon. Member for Fareham (Mr. Hoban) asked how the Treasury will engage with the reclaim fund. I believe that the framework is very clear: consumer protection will be enshrined in the legislation and consumers will reclaim money from their banks just as I have stressed now—with the banks acting as agents of the reclaim fund. The hon. Gentleman also asked whether the reclaim fund should be accountable to Parliament. The issue was also raised by other Members, but let me say in reply that the reclaim fund is not a public sector body. It will be set up by the industry independently of the Government. It will be a Financial Services Authority-regulated company incorporated in the UK and subject to company law.

Comments were made about the Treasury's power of direction, but let me stress that we view that as an ultimate sanction and we do not anticipate needing to implement it. It is highly unlikely that we would use that power, but we will ensure transparency by publishing on our website any concerns about the matter.

Mr. Hoban: Will the Economic Secretary reassure the House that the Treasury will not have the power, under these directions, to force the reclaim fund to pass more money across to the Big Lottery Fund?

Ian Pearson: We are very clear that we want the reclaim fund to be a success. It will be for the reclaim fund to produce its own business plan and to strike the balance that we have discussed between the need to protect the consumer and meet any future claims and

[Ian Pearson]

the need to distribute money to good causes. It will, as I say, be regulated by the FSA, which will obviously want to look closely to ensure that it is financially solvent.

Mr. Hoban: I ask the Minister again: will the Treasury have the power to tell the reclaim fund to pass more money to the Big Lottery Fund: yes or no?

Ian Pearson: We have powers that can be used in exceptional circumstances.

Mr. Hoban: So that is yes.

Ian Pearson: I am happy to return to this matter in Committee, but it is important to recognise that the scheme is voluntary and that it will be up to banks and building societies to decide whether they wish to participate. All the indications in the public statements that they have made are that they want to do so. The scheme will be privately run and will produce its own accounts, which will be published openly and transparently. It is important that that happens.

A number of hon. Members asked about the principles for distribution. The Government consulted on that in May 2007, when they set out their intended spending areas for England, which have been discussed during this debate. I stress that feedback broadly supported the Government's proposals for distribution with a majority of respondents supportive of the principles, the use of the Big Lottery as a UK-wide distributor and the Government's intended spending areas. We specified those areas for England, but, as was made clear by the Chief Secretary, it is a matter for Wales, Northern Ireland and Scotland to set out their own priorities. We heard one contribution on the consultation process in Scotland.

The Government, supported by the consultation, hold that the spending areas identified in England represent a worthwhile investment of community resources, now and in the future. We will determine the relative allocation for each year in relation to the spending areas for England through a cross-Government working group, which will draw up the spending directions to the Big Lottery. I am sure that we will come back to that in Committee, but it is important to recognise that we have been through a consultation process on the general areas. In determining the relative priorities, we will consider whether further consultation is needed.

The Big Lottery Fund is a Government-controlled body, but it is a non-departmental public body, independent of Government. A number of hon. Members made some injudicious comments in suggesting that it is an arm of Government and that we are trying to use it to fund normal Government expenditure. That is clearly not the case. It is very much the Government's intention that those lottery funds should be additional public expenditure.

Martin Horwood: According to the National Lottery Act 2006, the Minister should be quite right in condemning some hon. Members for implying that the Big Lottery Fund is run by the Government, but his remark that it is a Government-controlled body rather plays into those hands. Would he like to rephrase and perhaps clarify that expression?

Ian Pearson: I was clear, I hope, that the Big Lottery is a non-departmental public body, independent of Government. The accusation that it is a Government-controlled body that takes the people's money and spends it as it chooses is something that I wholly regret. I thank the hon. Gentleman for allowing me to clarify those comments.

I re-emphasise that in clause 23 it is proposed that directions to the Big Lottery Fund will be given by the Secretary of State for Children, Schools and Families. The clause has been deliberately written so that it is broadly similar to wording in the 2006 Act, which relates to the strategic guidance given by the Secretary of State for Culture, Media and Sport. It is right that the Government should give broad, strategic directions for the Big Lottery Fund.

We have been clear that spending must be additional to Government provision. Unclaimed assets are in effect community resources. They are not a substitute for Government funding. It is right that they should be seen to be used to develop and strengthen communities.

On the proportion of funds that are likely to go to the Big Lottery Fund, I stress that the reclaimed fund must hold back sufficient funds to repay potential customers. That is crucial. It will manage money on the basis of the FSA's prudential regulation regime. The FSA will consult on that regime and publish a cost-benefit analysis in the usual way. It is not possible at this stage to say what proportion of funds will be passed on to the Big Lottery Fund. That is a decision for the reclaim fund. It will be under a statutory obligation to transfer to the Big Lottery Fund sums that are not needed for reclaim or expenses.

My hon. Friend the Member for Clwyd, South raised a number of issues in his powerful contribution. Again, I stress that we believe that a voluntary scheme will work. It has the support of banks and building societies. It will be highly transparent, so the basis on which they are participating will be clear.

My hon. Friend asked about the definition of dormancy and how confident we are about the industry's figures. The industry has provided us with an estimate that after 15 years, 80 per cent. of dormant accounts are genuinely lost by the customer. That level of accuracy in identifying dormant accounts is important to minimise the ultimate level of the reclaim fund and hence overheads. The Government have listened to concerns about the time limit that were identified and discussed in the other place. We plan to introduce a power to amend the limit in the light of suitable evidence that a reduction or increase is advisable. We are reliant on the industry for the estimates, and they are the best estimates available. Of course, we would welcome it if more money were ultimately transferred into the scheme.

My hon. Friend also asked whether banks will publish their dormant account policies. Again, that is an important issue. My understanding is that the answer is definitely yes. Banks are committed to doing that under the banking code. There will be transparency about how banks are participating, along with the other specific disclosure requirements in the Bill. The flexibility of the proposed scheme is one of its main strengths. It will allow banks to take a wide range of factors into account in identifying dormant assets, which will minimise the possibility of misidentification and, in doing so, help to reduce the costs of administering the scheme.

A number of hon. Members asked how we will know whether banks are engaging the scheme and in particular whether there will be independent audits. The reclaim fund will publish amounts transferred into the scheme by individual institutions. Banks are committed to publishing their policies on how they are participating in the scheme. They are expected to subject transfers to independent audit as well.

Hon. Members also mentioned National Savings & Investments and its potential participation in the reclaim fund. NS&I has played an active role in reuniting funds with their owners. It has operated a free tracing service since 2001, and is a committed member of "mylostaccount" in the context of operation and advertising. Since 2001, it has reunited £109 million with 93,000 customers.

Having examined the issue carefully, the Government concluded that it would not be appropriate to transfer NS&I dormant accounts to the scheme, but NS&I is fully committed to reuniting owners with dormant accounts. I should make the crucial point that NS&I differs from banks and building societies in that its only function is to borrow money for the Government, which is then used to fund public spending. That means that money deposited with it is already doing public good, and including it in the scheme would mean diverting money that would have been spent on public services to the charity sector. We do not believe that that would constitute a prudent use of public funds.

My hon. Friend the Member for South Derbyshire asked whether members of building societies would lose their membership rights if their dormant assets were transferred. I think he was the only Member to raise that concern, but I can tell him that the proposed scheme will not affect building society membership rights. In a statement made in October this year, the Building Societies Association supported the Bill's provisions concerning the safeguarding of the rights of building society members. The Bill provides that when a building society transfers a dormant account to the scheme, any membership rights attached to that account will continue to have effect as though the account had not been transferred.

Given that the Government designed the scheme to enable spending decisions to be devolved, I think it follows logically that a population-based formula should be used for allocation. That is why we suggested that the Barnett principles offered an established method of apportionment. The Big Lottery Fund will be required, within the spending directions, to achieve a fair and equitable distribution of funds in England. It has been chosen as the principal distributor because it has a track record of achieving a fair regional and local spread of funding, and because of its work distributing funds to revive communities.

I am sure that we shall be able to return to some of the points made today in Committee.

The last point with which I shall deal this evening concerns the provisions on small locally based financial institutions. The purpose of the alternative scheme for such institutions is to provide a balance between recognition of the special role that some small institutions play in their local communities, and ensuring that enough resources are available for the national scheme to facilitate an overall efficient and strategic approach to distribution.

The Government acknowledge the arguments advanced in the other place, and the important role that mutual organisations play. However, while we welcome in particular the commitment of Nationwide and the other major building societies to participating in the scheme as ultimately constituted, we believe that the amendment widening the option to encompass all mutuals is not desirable. I can give three reasons for that.

First, the Government consulted on an asset threshold of £7 billion applying to both banks and building societies, and as the proposal received broad support during the consultation, we believe that that is what most respondents want us to do. Secondly, the amendment would significantly reduce the amount of assets available to the national scheme through the Big Lottery Fund, and thereby the strategic opportunity to make a significant difference in the areas identified as priorities for spending. Thirdly, there would be a lack of coherence in national distribution.

Nationwide and its partners have stated clearly that they will support the English priorities, which is welcome. However, a whole series of different foundations distributing in parallel to the same causes is inefficient and fails to maximise the opportunity of the dormant accounts scheme. It is for these reasons that we do not believe it would be right to maintain the current amendment passed in the other place, but we will come back to this in Committee.

Mr. Hoban: On the second reason the Economic Secretary cited, will he say by how much the resources available would fall if the seven largest building societies took part in the alternative scheme?

Ian Pearson: I do not have the figures immediately to hand, but they certainly are significant. The hon. Member for Cheltenham made the point that although a significant number of building societies will be excluded under the £7 billion figure, some of the big building societies will participate in the reclaim fund, and we think it is right and proper that they should do so.

Tom Levitt: My hon. Friend said he had dealt with the last point he raised, but I think the elephant in the room is the voluntary nature of the proposals. There has been scepticism across the House about whether a voluntary scheme can work given that no other voluntary scheme is operating in the world. Will he at this late stage undertake to come to Committee with an amendment that would allow reserve powers to be in the Bill such that at the first triennial review the scheme can be made mandatory if the voluntary system is not working?

Ian Pearson: I am certainly happy to debate the issue in Committee. Although what the UK is proposing in terms of the voluntary scheme has not been adopted in other countries, we have had extensive discussions with the banks and building societies and they have all indicated a strong willingness to participate, so we have no reason to doubt the commitment of these organisations to participate.

Martin Horwood: I am sure the Economic Secretary is right that the building societies support the principle of the Bill, but they have fairly consistently objected to the £7 billion threshold applying to them whereas banks have not. Therefore, can he remind us of this: why £7 billion?

Ian Pearson: Well, some building societies have, but others have not, and my understanding is that the figure of £7 billion was arrived at in discussion with banks and building societies and put in the original consultation documents. We consulted on that £7 billion figure applying to both banks and building societies, and it is a proposal that received broad support during the consultation.

A number of further points have been raised, but I think we can return to them in Committee. I am pleased to be able to say that the Bill has cross-party support. We want to get it right. We recognise that there is the opportunity to scrutinise the detail in Committee, and I look forward to engaging further with Members in all parts of the House as we look to take the Bill forward.

Question put and agreed to.

Bill accordingly read a Second time.

DORMANT BANK AND BUILDING SOCIETY ACCOUNTS BILL *[LORDS] (PROGRAMME)*

Motion made, and Question put forthwith, pursuant to Standing Order No. 83A(7) (Programme motions),

That the following provisions shall apply to the Dormant Bank and Building Society Accounts Bill *[Lords]*:

Committal

1. The Bill shall be committed to a Public Bill Committee.

Proceedings in Public Bill Committee

2. Proceedings in the Public Bill Committee shall (so far as not previously concluded) be brought to a conclusion on Tuesday 21st October 2008.

3. The Public Bill Committee shall have leave to sit twice on the first day on which it meets.

Consideration and Third Reading

4. Proceedings on consideration shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the day on which those proceedings are commenced.

5. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.

6. Standing Order No. 83B (Programming committees) shall not apply to proceedings on consideration and Third Reading.

Other proceedings

7. Any other proceedings on the Bill (including any proceedings on consideration of any message from the Lords) may be programmed. —*[Mr. Roy.]*

Question agreed to.

DORMANT BANK AND BUILDING SOCIETY ACCOUNTS BILL *[LORDS]* [MONEY]

Queen's recommendation having been signified—

Motion made, and Question put forthwith, pursuant to Standing Order No. 52(1)(a) (Money resolutions and ways and means resolutions in connection with bills),

That, for the purposes of any Act resulting from the Dormant Bank and Building Society Accounts Bill [Lords], it is expedient to authorise-(1) the payment out of money provided by Parliament of any expenses of the Secretary of State attributable to the Act; and(2) the payment of funds into the Consolidated Fund.—*[Mr. Roy.]*

Question agreed to.

PETITIONS

Post Offices (Essex)

8.53 pm

Bob Spink (Castle Point) (UKIP): I rise to present a petition that represents the views of many thousands of my constituents who believe, as I do, that the Government should adopt a positive policy of supporting post offices. Post office closures hurt the whole community, but they disproportionately hurt vulnerable people, in particular the disabled, pensioners and people with young families. I warmly congratulate and thank the good and caring residents of my constituency who took the trouble to sign this petition and send it to me during the recess.

The petition states:

The Humble Petition of the residents of Castle Point and others,

Sheweth

That our local post offices are important to community cohesion, that they provide a vital service to the local community, particularly to vulnerable people, but that their future is threatened by uncertainty over Her Majesty's Government's support for post offices generally, and specifically by the possible abolition of the Post Office card account in 2010, which would be totally unacceptable to the residents of Castle Point, especially vulnerable groups who rely on post offices and the viability of our important high street shopping parades.

Wherefore your Petitioners pray that your Honourable House call upon Her Majesty's Government to review its policy on post offices and to recognise that they are greatly loved by the community.

And your Petitioners, as in duty bound, will ever pray, & c.

[P000268]

Planning and Development (Essex)

8.55 pm

Bob Spink: I shall be very brief, since I tabled a petition similar to this one just before the House went into recess. I received this one in August. Residents of Castle Point believe—to my mind, correctly—that public land that is used as open space by the community and has been for decades should be protected by the council, yet Castle Point council has yet again acted against the public interest and failed to protect the land in question. I congratulate each and every resident who, by signing this petition, showed that they really do care about the community in which they live and are prepared to act on its behalf.

Following is the full text of the petition:

[The Petition of J Everett, the residents of Castle Point and others,

Declares that they suspect that there is a hidden agenda in respect of the public open space bounded by the Chase Thundersley on the north side, and by Runneymede Chase on the east side. They have reached this conclusion first, because a large area adjacent to the annex of the SEEVIC College has been fenced off and they challenge the legal right for this to have been done. Secondly, because Castle Point councillors have decided to no longer regularly cut the grass allowing it to become largely overgrown, and they suspect this is an attempt by councillors to deter people from using the public open space so that the land can be developed. Thirdly, because lately it appears that students of SEEVIC College have been allowed or encouraged

to take over the area during breaks, making other users of this public open space feel like interlopers and leaving the space littered with food wrappers, drinks cans and bottles and other rubbish, adding to its dereliction.

They further believe that this land, like all public assets, belongs to the people, not to the council or the councillors, and councillors should respect that fact and keep the public fully informed of their and their officers' discussions and intentions regarding land use and the future of all our public assets.

They therefore urge councillors to return this land to full and proper public use and to protect it in future, for many valid planning and community interest reasons, and to ensure that this matter is dealt with by councillors rather than officers given its importance to the wider community and the need to protect their valuable public open spaces.

The Petitioners therefore request that the House of Commons urge the Government to press all Castle Point councillors, since they have the direct responsibility for this matter, to ensure this public open space is retained for its ancient and established previous use and to immediately publish its discussions and intentions regarding land in this area and behind the Runneymede swimming pool and to be transparent in future with the public on all planning and land use matters.

And the Petitioners remain, etc.]

[P000267]

Regeneration (Southend)

Motion made, and Question proposed, That this House do now adjourn.—*[Helen Jones.]*

8.57 pm

Mr. David Amess (Southend, West) (Con): It might seem like only yesterday, Mr. Deputy Speaker, that we had the summer Adjournment debate, but it was actually quite a long time ago and an awful lot has happened since then. I want immediately to congratulate the Minister on his elevation to membership of the Privy Council. It is an honour that is well deserved, and I wish him well with his deliberations as a Privy Councillor.

This Adjournment debate concerns the regeneration of Southend. Of course, those people who have had the delight of visiting Southend might say, "Why on earth does it need regenerating?" I say to the Minister that it certainly needs some assistance in the regeneration process that it is undergoing, but I want to thank all those who have given assistance thus far. Given the very difficult times in which we are operating, we need a great deal of assistance with our regeneration process in Southend, but saying that is in no sense to be churlish or not to thank the Government and all the agencies for their assistance thus far.

We are blessed with an excellent council in Southend, ably led by Councillor Nigel Holcroft and his deputy, Councillor John Lamb, and we have a first-class chief executive, Mr. Robert Tinlin. However, in advertising that he is a first-class chief executive, I do not want anyone to try to entice him away from Southend, because he is doing a very good job for us. The council has decided that the overarching rationale for regeneration in Southend from its perspective is to make the borough as a whole a better place to live, work and invest in, and to visit. The council, along with the various partners, is working towards that end. It has decided on a delivery plan comprising three points—an economic development and tourism strategy, a regeneration framework, and a central area master plan.

I hope that my hon. Friend the Member for Rochford and Southend, East (James Duddridge) will, with the Minister's permission, be able to catch your eye, Mr. Deputy Speaker, as I believe that he will probably make some more detailed comments about the regeneration process. I shall not waste the House's time tonight by going into detail about each of the partners with which Southend's council is operating. I simply say to the Minister that it is working with a lot of partners, and in these difficult economic times we need co-ordination, because it is confusing for my hon. Friends and my constituents to work out where the help is originating. I know that the Minister will not have time tonight to respond in detail to the various points that I shall make, but I hope that he will reflect on the fact that too many agencies are involved in the delivery process. Such a situation involves some sort of bureaucracy and that will be expensive.

I shall briefly raise many points. I know only too well of the Minister's experience as a Treasury Minister, so I say to him that one of the most important issues for the council in terms of the success of Southend's economy is the lack of fit-for-purpose office stock and, consequently, employers are frustrated in their demands. The council believes that the Government could assist in one immediate way: by stopping the recent application of business rate

[Mr. David Amess]

tax on empty, redundant buildings. The effect of the tax has been the demolition of buildings that would otherwise have been partially let to small businesses. I know that he does not have a blank cheque and that this issue is a nationwide one, but if ever he has the time and opportunity to visit Southend—we would welcome a visit from him—he could see at first hand how that particular policy, despite the best of intentions, has had an adverse effect on Southend.

My hon. Friend won his seat of Rochford and Southend, East in 2005. Before that, I had been devastated by the impact of the 2001 national census. I have raised that matter on many occasions in the House and I have had meetings with councillors, officials and the people responsible for the national census. I found all the arguments unconvincing; how could it possibly have been claimed that Southend's population had reduced by 20,000? According to that national census, Southend's population reduced from 180,000 to 160,000, but that was simply not possible. Anyone living in Southend knows that its population has increased, but the Government have to work within their own guidelines and, as a result, we received £7 million less than would otherwise have been the case. This was a very serious issue, although I shall not bore the House by going over the arguments that I have advanced on many occasions. I simply say to the Minister that a New Local Government Network report published on 20 August bore out the council's assertion that the population was underestimated by between 16,000 and 20,000 because of

"poor-quality information on households, high rates of population mobility and a growing reluctance to fill in official forms."

Not one person was prosecuted for not filling in the census form. It is without doubt the case that, far from falling, the population in Southend is growing. However, we suffered financially from the national census.

On a positive note, I had the privilege of chairing the Committee on the London Olympics Bill. Of course, I had to remain impartial, but now I am free to say that I am a wholehearted supporter of the Olympic games. I was born in the east end of London, and seeing what is happening there now gives me great joy. I am determined that, in 2012, Southend will be at the heart of the Olympic games. Southend is on the London boundary. Indeed, the hon. Member for Thurrock (Andrew Mackinlay) would claim that his constituency is the boundary, but Southend certainly has a good claim.

I have listened carefully to what the Secretary of State for Culture, Media and Sport has said about our plans for the opening ceremony. We will not try to compete with Beijing—we do not have 2,012 people to bang drums for a start—but it is a splendid idea that the various towns in London will help to celebrate the games. My dream is that the pier in Southend, which is the longest pier in the world, will somehow be used in the opening and closing ceremonies. The pier would provide us with a unique opportunity to show the rest of the world, against the background of the wonderful River Thames, the joy that everyone feels as a result of our having the Olympic games in 2012. I will bang on and on about that, just as my former colleague who represented Bournemouth, East used to bang on about the millennium bug and computers.

The British performance in the Olympic and Paralympic games was wonderful, whether one is interested in sport or not, and we should all take pride in that. I am therefore very excited by the prospect of having the games here in 2012 and I am delighted that Southend and Essex county council are working with the Government to ensure that we are involved in the celebrations. I hope that the Government will give us a little more help to promote the top-class diving facilities that we are developing at Garon park. They will include a 10 m platform, which will be the only one in the east of England, and it will be used as a practice site for Olympic divers. Southend has produced some successful Olympic divers, and this will be the best facility in the country. It will be a wonderful training site, and I hope that we can attract some of the visiting countries to use the facilities as their base.

It is also excellent news that the mountain biking events will take place at Hadleigh castle, which is just on the border of Leigh-on-Sea in my constituency. Local residents are very excited by the opportunity. It is probably too late to change, but I wish that we could have had the sailing off Southend, as well as other activities based there, such as women's football at the new Southend football stadium, which will be ready in about 18 months. The Minister will be pushing at an open door in terms of Southend's enthusiasm for the Olympic games. I hope that he will regard Southend as part of London, albeit on the cusp of the city.

The new swimming and diving pool in Garon park in Eastern avenue is due to be opened in 2010 and Southend council has set aside £10 million for the project. It will provide a valuable diving training site for our local athletes. The Warrior square pool will be demolished and we will have a wonderful facility at Garon park. Southend has had three Olympic divers in recent years and 20 international divers from both junior and senior squads. The council thought, as one has to specialise in some area, that that would offer a good opportunity to do so. Any help from the Government would be greatly appreciated. It will not be a 50 m Olympic pool, however, but a 33.3 m one, as my old constituency, Basildon, has the 50 m pool. I hope, given that Basildon is quite near to Southend, West, we will be able to link up there to celebrate the activities of the swimmers, too.

The need to attract international swimming teams is particularly acute following the closure of the 50 m pool at Crystal Palace. I am delighted that Garon park has been selected as a pre-games training camp and I hope that we can build on that. I am absolutely delighted that we have also been designated a Paralympic training camp for boccia, goalball, sitting volleyball, wheelchair fencing and wheelchair tennis. Southend council is working very closely with Essex county council to promote that in whatever way they possibly can.

I have already mentioned the pier. Sadly, we have not had one fire on Southend pier, nor two fires, but three fires, and that is very regrettable. I do not know whether the Minister has ever had the opportunity to visit the end of Southend pier on the train, but it is a wonderful leisure facility. Obviously, to have suffered three fires is pretty devastating and any extra assistance that we could be given to help with the regeneration of that Victorian pier would be greatly appreciated. For instance, the rotten decking urgently needs repairing and we are

desperate for financial support. If any assistance could be given, through whatever funding, towards repairing the deck, that would be greatly appreciated.

I am very grateful for the assistance that has been given recently in improving some of our road networks, such as the A12 and other roads, but I want to make a few brief points about Priory crescent. Before my hon. Friend became the Member for Rochford and Southend, East, that became a contentious local issue. In summary, we are talking about traffic congestion in Southend. There is a very famous park called Priory crescent and it was deemed that a road widening scheme should be embarked on. Local residents became upset because that would have meant cutting down some very old trees and a number of houses would have been blighted as a result of the scheme. A number of campaigning individuals have set up a camp on site and have been there for a number of years. The argument about the scheme has gone on and on. Given that money is very tight at the moment and that widening the road would be very expensive, I would have thought that it was advisable for the Department to reflect on the project.

The Minister might not have time to say much about it this evening, but it would be helpful to say that we need to look again at that project. The scheme is expensive, but for it to have hung over local residents for so long is, to say the least, very unhelpful indeed.

The road improvement schemes that are welcome, because the Government awarded £4 million to the council to improve Southend's roads, include the resurfacing of Kenilworth gardens in Westcliff, Chalkwell esplanade and Elm road in the constituency of my hon. Friend the Member for Rochford and Southend, East. A cycle route from Chalkwell avenue to the seafront will also be embarked upon. I am very grateful for that.

Given the Minister's time in the Treasury, he will be aware of the reorganisation of Her Majesty's Revenue and Customs. In Southend, we have very few large employers, and HMRC is a very important employer in the town. The announcement that 400 jobs would be cut over the next three years, which would cause a 20 per cent. reduction in the Southend work force, is absolutely devastating. That decision seems rather bizarre, given what the different agencies that help the regeneration of Southend have said about employment prospects, and it would be a devastating blow to the local economy. I simply ask the Minister to look again at that proposal.

I will not get into arguments tonight about housing in Southend, because there is no land to build on in my constituency. It is not an issue in Southend, West; it is more of an issue for my hon. Friend the Member for Rochford and Southend, East. However, I want to touch on other issues very quickly, one of which is cliff slippage. Again, if the Minister does not have time to respond now, perhaps he will write to me. A few years ago, the cliffs in Southend began to slip. One of the things that we are very strong on in Southend is the parks department's planting of the cliffs—absolutely magnificent—but unfortunately, we suffered a mile-long slippage. One of the Minister's colleagues was helpful and responsible for allocating some money for the restoration of the cliffs, but we need more, because the cliffs have continued to slip and dealing with that has proved more expensive than we expected.

The lift to get senior citizens up the cliff connects Clifton terrace with Western esplanade; unfortunately, it is expected to be out of service for another year while works are done. It was built in 1912—again, this links in with the Olympic games—and it is one of few lifts of its type in the country. The council refurbished the lift two years ago, with a helpful £1.8 million Heritage Lottery Fund grant. However, the cost has risen by £400,000, because of new European regulations that classify the lift as a cable car, rather than as a railway. That will necessitate a re-examination of the lift mechanism and paying costly consultation fees. I know that that is not the Government's fault. There is a new European regulation in place, but if we do not comply with it, we will never get our lifts. Again, I ask the Minister to look into the matter and to find out whether there is any way in which assistance can be given, perhaps through European funding.

Another point that I wish to raise with the Minister is the silting-up of the Thames estuary in Leigh-on-Sea. A number of fishermen and women in Leigh depend for their livelihood on cockling and on catching Dover sole, but the Thames estuary has become increasingly silted. A project to try to solve that problem would be very expensive. Perhaps the Minister could consider the issue.

Earlier tonight, I was invited with colleagues to the Royal Opera House to enjoy a number of brief performances. During the evening, it was announced that Thurrock, the other unitary authority in Essex, is benefiting from a scheme run by the opera house to try to bring the arts, which are of course expensive—and, some would argue, elitist—to more challenging parts of the country. The opera house has set up a wonderful workshop in Thurrock. I seized the opportunity and sought out the gentleman in charge of the Royal Opera House's education project. He tells me that he will work with Southend-on-Sea borough council and the local college to see whether we can develop the arts in Southend. The Minister will know of a number of famous actors and actresses from the area. A Southend girl won an Oscar last year with her portrayal of the Queen. We have many famous singers, dancers, sculptors and painters, too; there is a real gathering of cultural excellence in Southend.

Let me come on to the point of this Adjournment debate on the regeneration of Southend. Southend was once a very popular seaside resort. It attracted people for holidays of a weekend or a little longer. The Minister knows only too well of the difficulties that Southend and other resorts have experienced. We cannot do anything about what some people regard as the unreliability of our weather. We cannot do anything about the impact of competition as a result of cheap flights—or what were cheap flights—which have meant that the world is becoming increasingly smaller. However, Southend and other seaside towns have basically lost their place in the market as resorts. We have decided to try to reposition ourselves. At the heart of that are the leisure and cultural opportunities that I mentioned. However, Southend also wants to position itself as a centre of learning. The South East Essex College of Arts and Technology in Southend has joined in a partnership with Essex university, and that partnership is having a wonderful effect locally. I thank the Government for any assistance that they have given us thus far, but I would welcome any further assistance that the Minister and his Department could give.

[Mr. David Amess]

I have claimed, over the years, that Southend is the finest resort in not only the country, but the world. Which Member of Parliament worth their salt would deny that? The joy of experiencing the moving picture that the Thames estuary produces is quite unique, and it will be celebrated when we enjoy the Olympic games in 2012. However, Southend really does need help with regeneration. The area that I represent has the highest number of senior citizens in the country; that is why we are in the "Guinness World Records" book for holding the greatest gathering of centenarians in the country. Those senior citizens want to enjoy the town today, but they have at the back of their mind how it used to be. With a little bit of help, I think that our former glories will return. I have every confidence that the Minister will do all that he possibly can to assist Southend with its regeneration.

9.24 pm

James Duddridge (Rochford and Southend, East) (Con): May I congratulate my hon. Friend the Member for Southend, West (Mr. Amess) on securing this debate so soon after our return from the recess? Having spent two months thinking of lots of things to say, and given the hours that one could spend talking about Southend, I thought I had to pare my contribution down to five minutes, only to find that I have the luxury of a little more time. It is a great position for someone who is so passionate about Southend to be in, but I will limit my comments and not take up all the available time and detain the Minister too long on his first full day in office. Ministers come, and Ministers go. In the case of some Ministers, they come and go, come and go, and come again. However, being made a Privy Councillor is something that people cannot take away from someone. The Minister will always be a right honourable Gentleman, and it is good to have him here to reply to the debate.

I hesitate to disagree at the outset with my colleague, but the title of the debate gives me some discomfort. I represent Rochford and Southend, East, but as soon as I talk about Southend, everyone in Rochford writes to me and says, "What's wrong with Rochford?" I will not stray, however, Mr. Deputy Speaker, and test your patience. The other problem that I have with the debate concerns the other word in the title—there are only two words, so it seems rather churlish—which is "regeneration", as it suggests something that is done to an area, rather than by an area. It has connotations of the public sector, a master plan, a right way forward, and a process that is planned and ultimately reached. However, if one looks at Southend's history, some of the best changes have been organic and have been achieved bit by bit. Some of the worst things in Southend have been planned: the '70s tower blocks that were built, with old Victorian housing smashed through. Parts of the town centre were ripped out and destroyed to provide new, progressive, modern buildings, so I am a little concerned when we talk of regeneration that we may repeat past mistakes. Personally, I prefer the term, "investment", not only by the private sector but by the community, which should invest not just its money in the town but its time, community spirit and so on.

Under the term "regeneration", Southend council quite rightly wants to make Southend a better place to live, work, visit and indeed to invest in. If we achieve all four things we will achieve regeneration—a term I dislike somewhat. Another term mentioned by my hon. Friend that has been bandied about is "partnerships". Everyone seems to be working in partnership, and it has almost become incestuous. We cannot be sure who are the different parties in the regeneration debate. I will illustrate that point for the Minister by citing an excellent development that I fully support. The university of Essex came to Southend, and, I walked through the site with the opening party, which was quite large—not only were there dignitaries and a member of the royal family but everyone who had participated in the project. Representatives of some 15 organisations were wandering through, and when we unveiled the plaque, there were about 15 different logos representing people who had put money in. One lady who was wandering round said, "You know, James, actually, it was us who pump-primed all of this." Their logo was not even on the board.

When one drills down into the question of what those organisations were, quite often they were the Department for Communities and Local Government in one guise or format or another. Everyone was saying that they pump-primed the university: they put in a little bit of money and achieved a great deal of change. I asked them a question, "How much did the whole thing cost?", but very few people knew. In fact, no one was able to tell me. I am sure that I could have probed the issue further. Interestingly, however, when I spoke to a third of those 15 or so donors, no one appreciated the overall cost or how much Government money had been put in. No one appreciated how much DCLG money had been put in. They were just proud that they had pump-primed the investment.

I worry that as part of the regeneration process, it is conceivable that we end up spending more money than we need to. It is also conceivable that we spend it on the wrong thing. One of the problems with all these partnerships is that there is a democratic deficit. There is a lack of linkage between what the people of Southend want and what all the organisations want. To a degree, Southend council got into an unholy alliance of necessity with a number of partnerships, because that is the only way to get money out of the Government. They played the game, but is it right? Are the rules of the game right? Is the structure of funding right? I assert to the Minister that it is not right, it is confusing and there is a democratic deficit. One of the things that he can do, not just for Southend, but for other areas in the country, is to give the process a good shake-up.

In our area there is Thames gateway. No one I know describes themselves as living in Thames gateway. Thames gateway does not even exist. Southend exists. People say they come from Southend, from Prittlewell, from Essex or from the east end. Nobody has ever told me they come from Thames gateway. It is not a defined area of community spirit.

I am extremely concerned about central Government taking assets into national hands, even with the acquiescence of a local council, to pump-prime some type of investment. That seems to be completely the wrong direction of travel. For example, English Partnerships took a large share in the car parks in Southend, in the hope that it would get private sector development money to develop those car parks, provide car parking space and develop the town centre. The Government should be helping to push money down, not pull money out.

I want to be brief, but I want to touch on some of the points that my hon. Friend made. The errors in the census, which predates my election, are crucial. Those errors cost Southend £7 million every year. If the Minister takes away one thing from my contribution, will he please look at the figures again? The Government will probably not want to look all the way back to the last census, but we must make sure that we get the census right for areas such as Southend, Slough, Manchester and the City of Westminster, which do not easily fit into an existing box. It is difficult to measure those populations.

Southend airport is an excellent airport. I have mixed feelings about its rebranding. It is now called London Southend, as seems to be the fashion with airports across the whole of the United Kingdom. Southend airport is a decent airport that is looking for extra money to expand. I ask the Minister to look at the 2012 Olympics and speak to his colleagues about London City airport, which may well have to close for security reasons. If it does—it would be a sensible decision to close London City—Southend airport needs the investment now rather than in three or four years so that it can be leveraged for the Olympics.

I agree with my hon. Friend on transport infrastructure. We need a decision on Priory crescent as soon as possible. Almost any decision is better than the present prevarication, waiting and uncertainty. We need consistent, joined-up government. HMRC was mentioned. Not only are those 400 jobs moving away, but new public sector jobs cannot be created in Southend because the south-east is deemed an affluent area and under the Lyons review, new jobs cannot come into largely affluent areas such as the south-east and the east of England. That ignores the clear pockets of poverty in Southend, which are largely clustered around the very same buildings that provided a great deal of part-time work and temporary work—exactly the type of work that was getting people off benefits, into the working marketplace, then off benefits entirely and into full-time jobs.

Lastly, I shall mention two issues. The first is the driving test centre in Southend. This might seem a trivial point but it is symptomatic of the Government moving services away. Southend has an expanding population and an expanding youth population, given the university, yet the Government have taken the decision to close Southend driving test centre. They held a consultation and ignored it. The consultation seemed pretty pointless, because the Government had made the decision already, and I must admit that I wondered aloud in my office, asking rhetorically, "What on earth is a consultation?"

My research assistant, taking that more as an instruction than a rhetorical question, did some research on what a consultation is. Evidently a consultation is a consultation only if the decision is not predetermined. I have documents that have been leaked to me that say not only that the decision was taken, but that planning permission was granted and that the site was being built before the consultation took place, moving Southend driving test centre out of Southend and into a bigger centre near Basildon, which is a problem experienced elsewhere.

Finally, let me reiterate the point about business rates on empty properties. There has been a boom in the demolition business in Southend. Some of the buildings were ugly and needed to be demolished; indeed, it is good that they have been demolished. However, there were many buildings that were important to Southend's history. There were lots of buildings that were largely unoccupied, but partially occupied by small businesses, which have had to move out and suffer all that disruption. I am not entirely sure whether what has happened in Southend is the same as elsewhere in the country or whether the Government's intentions have matched the consequences. I urge the Minister, in his dealings with other areas, to see whether the consequences of raising business rates on empty property have been adverse, particularly in regeneration areas.

9.36 pm

The Minister for Local Government (John Healey): I congratulate both hon. Members who have spoken on their kind words and pay tribute to them for the tone in which they put the case for their constituencies and their town. We are fortunate to have more time than is generally the case for these end-of-day debates. I congratulate the hon. Member for Southend, West (Mr. Amess) on securing this debate. It should surprise no one that he was first in line for the Adjournment debate on the first day back. He has a formidable reputation as an advocate, and not just for his current constituency—I notice that he even managed to work in a reference to Basildon, which has been ably represented since 1997 by my hon. Friend the Member for Basildon (Angela E. Smith).

In many ways we are picking up from where the hon. Gentleman's previous Adjournment debate on the regeneration of his area a couple of years ago left off. We can see significant progress since then, which he was good enough to recognise. The new university of Essex campus in Southend is important for, as he put it, repositioning the town. We have seen a local area agreement signed between the Government and Southend, together with the agencies with which the council works. The priorities set by that agreement included improving Southend's image, raising the level of activity in the local economy and raising aspirations in the local area. We have also seen the beginning of a public consultation on a new home for Southend's Saxon king artefacts.

A new location has also been found for Southend United football club, at Fossett's Farm. As I also follow a team in the lower divisions of the football league, let me in passing congratulate the team on its victory at the weekend, although I note that Yeovil were down to nine men at the end of the game. Nevertheless, three points are three points.

There is also the wider regional view, which is important to the town. The recently published east of England spatial strategy identifies Southend as one of the important centres for development and change, particularly in skills, transport and wider regeneration or investment, as the hon. Member for Rochford and Southend, East (James Duddridge) argued. The strategy is important in the longer term, because it places Southend in the Essex part of the Thames Gateway and the drive to see an extra 55,000 jobs in that period, as well as setting out the ambition of a significant number of new homes in the area, which will also be needed.

The Government have tried to give support where we can—not only in the local area agreement but in backing the local strategic partnership, Southend Together—to opportunities that are in the area and for the area. I

[John Healey]

share the reservations expressed by the hon. Member for Rochford and Southend, East about the term "regeneration". Sometimes it has meant something that has been done to an area, having been drawn up by agencies outside the area, rather than something that has been done by an area for itself. The local strategic partnership now plays an important role in ensuring that the future of Southend is determined in Southend, drawing on support from outside the area—from within the region and from Government, where it can—while nevertheless fashioning its future for itself.

After studying this matter, I believe that in many ways we are on the cusp of an important period, in which there will be significant opportunities to promote Southend's advantages as a location close to London and connected with the 2012 Olympics, to make maximum use of its assets as a seaside town and of its pier, and to promote Southend—as the borough council is doing—as a place to visit and to live, work and invest in.

I welcome the description of the hon. Member for Southend, West of himself as a wholehearted supporter of the Olympic games. As he explained, Southend has been selected as a pre-games training camp, and was included in the guide distributed to the nations competing in Beijing. It has also been designated as a Paralympic training camp for a number of sports. I will certainly alert my right hon. Friend the Minister for the Olympics to his vision for the use of the pier as part of the Olympic ceremonies, and to his enthusiasm for his town to play a part in the Olympic games.

However, it has been recognised in the debate that, despite the fact that Southend is a town with many attractions, it is also a town with serious pockets of deprivation, hence the need for the investment that we are discussing. Before I come to the question of regeneration, however, let me deal with some of the specific points that have been raised in the debate.

The second reservation of the hon. Member for Rochford and Southend, East about regeneration concerned the plethora of partners that can sometimes be involved. I am not saying that he is wrong, but when we look at the need for investment and regeneration across the piece, we see that it can be a complex business. It involves much more than just the need for a new building or for physical regeneration, and often requires the contribution, and the alignment of plans, of a number of different agencies. Nevertheless, in our regeneration efforts around the country there is undoubtedly scope to reduce the complexity of the arrangements. That has been part of the thinking behind bringing together the new Homes and Communities Agency under the Department in which I am a Minister, so that it can become possible for areas such as Southend, and their councils and local agencies, to have a single conversation with the Government about their plans and their case for future investment. I hope that we shall see the process becoming a little more straightforward, now that the agency has been established under the very able leadership of Sir Bob Kerslake.

On empty property relief, I have to say that I did not entirely follow the argument of the hon. Member for Southend, West. He said that there was a shortage of office space in Southend and that the empty property relief was causing the problem. Part of the rationale for removing the relief is that it increases the incentives or decreases the disincentives for rapid re-letting or redevelopment. That, together with recognition that the relief cost the taxpayer £1.3 billion a year, was the nub of the case for making changes to the empty property relief. Given that pressure on public spending and concern about other taxation were so strong, it was difficult to justify that level of public subsidy for property owners who were keeping their properties empty. Although we keep all tax regimes under review, we stand by the case for introducing those changes. As the Minister responsible, working closely with the Valuation Office Agency and local authorities, I have been able to assess their impact. We are now about six months into the financial year in which they were made, but we are keeping a close eye on them.

On population, it is difficult territory and it has also been well tilled, not least by the hon. Member for Southend, West. When the 2001 census was published in 2002, there were obvious discrepancies, particularly in some areas, with the mid-year estimates. That led to the Office for National Statistics doing a substantial study in 2004 to get to the bottom of those difficulties. I believe that 32 different areas, including Southend, were examined and that adjustments were made to the mid-year estimates in respect of about half of them. The hon. Gentleman has debated the issue several times and he will remember that, unlike in the areas where adjustments were made, there was no evidence for doing so in the case of Southend.

Until a little more than a year ago, I was the Minister responsible for the ONS for two years, so I was heavily involved in the preparations for the next census. The ONS is taking a number of important steps to ensure that any apparent or arguable flaws in the 2001 census will not be evident in 2011. I hope that we will ensure that, as the hon. Member for Rochford and Southend, East urged, the 2011 census is soundly based so that we do not have to confront similar difficulties. Looking back over the decades, the difficulty of conducting censuses is compounded by the fact that our communities are not only much more diverse, but very much more mobile. That makes the census a difficult technical challenge to undertake.

Having been the Minister responsible for Customs and Excise before Her Majesty's Revenue and Customs came along, I am aware of how important Southend is to the service. The reduction in the number of posts planned for Southend is smaller than in some other areas. As I understand the plans, most of the reductions will be achieved through natural wastage.

On cliff slippage, I am grateful for the recognition that the Minister of State, Department for Work and Pensions, my right hon. Friend the Member for Doncaster, Central (Ms Winterton), helped out when she was a Transport Minister.

I will look further into the European regulations on whether things are classed as cable cars or railways and try to find out whether something in the application is making things more difficult than they need to be. I cannot promise, however—I do not want to raise expectations—that there will be any more central Government money to help if the finances are squeezed.

May I come to the question at the heart of the debate, which is the regeneration and future of Southend? As the hon. Member for Southend, West made clear very

powerfully, there are some structural weaknesses in the Southend economy, which in the past relied principally on tourism and certain types of financial and business services. Although estimates show that more than 6 million visitors go to Southend each year—making a substantial input to the economy and the jobs base that relies on such visitors—it is clear that that is increasingly difficult to rely on, particularly in view of today's tastes and some of the problems we have seen this summer with the British weather.

Looking at the figures, a second structural weakness that strikes me is the skills base of Southend. The figures for what in the jargon is level 2 and what to the rest of us is the equivalent of five good GCSEs show that Southend lags behind the national level. That has been clearly recognised by the council and the agencies that it works with as one of the priorities to tackle through the new local area agreements.

In tackling the structural weaknesses, there is physical regeneration and the softer regeneration that is required. Let me deal with the physical first. At the heart of the matter—what, in a sense should be the answer to the hon. Member for Rochford and Southend, East—is the fact that Renaissance Southend should be the locally led way to harness the concerns and potential investments from the public and private sectors towards a vision for the future of Southend that is brought together, agreed and agreed locally. Some of the work on the master planning has started, as has work on some of the assembly of land. Work has also started on some of the repositioning or rebranding of Southend.

As the hon. Member for Southend, West argued, Southend is more than simply a seaside town, but something new is needed for the new era. The redefinition of Southend as a town, based around investment in education—partly to deal with the structural problems that I mentioned and partly to give the town a lift and a new direction—is an important element, alongside the cultural profile that the town is also trying to raise. Trying to make the town a cultural and commercial centre for the region is an important part of the future. The £20 million newly opened campus for the university of Essex is clearly pivotal to that, providing not only education facilities, but a business development centre and an innovation centre, alongside the commercial space.

I do not think that this has been mentioned in the debate, but the ambition to link further education with the new higher education facility is important in encouraging rising aspirations and a sense for many young people locally—indeed, older people as well, but particularly the next generation—that what is provided in Southend offers the possibility to achieve the qualifications and skills levels that are lacking in the town. The investment of £52 million in the South East Essex college building at the heart of the town centre is a big part of that. The use of education and culture offers a new direction that marks Southend out as different from other towns in the region.

On the cultural side, there are recent projects such as Metal, the artists' laboratory, which is creating a new headquarters in Southend-on-Sea. I have mentioned the proposed new £35 million Saxon king museum and cultural centre, and I must say that I was not aware that Helen Mirren hailed originally from Southend, but that is clearly a potential asset for the town.

On Priory crescent, the borough council is poised to submit to the Department for Transport a major scheme business case on the pressure point of its junction with the A127 at Cuckoo corner. The hon. Member for Southend, West may want to make local inquiries about that, but that is my understanding. If that is submitted, Ministers will give it full consideration alongside the other calls on central transport funding. However, I will ensure that his views are registered and part of the consideration that Transport Ministers bring to bear should that case be submitted.

I have mentioned the physical side—the structural weaknesses—and, in passing, the social side of improvements in investment, and that is where the requirement for the aligned effort of a number of agencies comes into play in any bid to regenerate an area. In identifying the five most important factors in making their neighbourhood a good place to live, residents did not choose big investment in regeneration of buildings and facilities, but chose instead the level of crime, heath services, clean streets, education provision and decent housing. No single agency can help to solve the problems posed by each and every one of those five challenges and improve standards entirely on its own. For instance, the effective collaboration of different agencies in Southend led to a 20 per cent. reduction in crime compared with four years ago. That is a notable success and beyond the targets set locally for that work.

The aim is to make Southend a good place to live, work, visit and invest in. It has some strong natural advantages, including a good location and the potential of the 2012 Olympics to drive some of the new ambitions. There is no doubt that Southend needs a fresh direction—a repositioning, as the hon. Gentleman described it. There is no doubt that its future is more promising than its immediate past. As a Government, we will work to support the plans of the local authority, and the agencies alongside it, in whatever way we can to secure that aim so that Southend does indeed recapture, although in a different way, some of its former glories.

Question put and agreed to.

Adjourned accordingly at two minutes to Ten o'clock.

House of Commons

Tuesday 7 October 2008

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

FOREIGN AND COMMONWEALTH OFFICE

The Secretary of State was asked—

Iran

1. **Mr. Andrew Robathan** (Blaby) (Con): What recent developments there have been in UK-Iran relations. [224413]

The Secretary of State for Foreign and Commonwealth Affairs (David Miliband): I hope, Mr. Speaker, that you and the House will allow me to thank my hon. Friends the Members for East Renfrewshire (Mr. Murphy), for Pontypridd (Dr. Howells) and for Sheffield, Heeley (Meg Munn), who in their time at the Foreign Office all made an important contribution to the country, and did so with grace, humour and determination, in the best traditions of this House.

In early September, the Iranian deputy Foreign Minister visited the UK for meetings with a range of Ministers and senior officials, including myself. The discussions covered Iran's nuclear ambitions, its role in the region, human rights and its relationship with the UK. We remain very concerned by Iran's behaviour in all those areas, and we are working bilaterally and with our partners to address them.

Mr. Robathan: I had the good opportunity to visit Iran in July, and it was extremely interesting. I share the Foreign Secretary's concerns about Iran's nuclear programme and human rights. However, we were told by people in Iran that bellicose statements threatening Iran militarily make those who do not support the Ahmadinejad regime rally behind it. It is a lesson of history that people will often rally behind a regime when their country is threatened. Will the Foreign Secretary take on board the fact that language is very important? That is not to say that we should not carry a big stick, but language is very important.

David Miliband: I agree with the hon. Gentleman. I am glad that he and other hon. Members have been to Tehran; that sort of engagement is important. I hope that he will not find bellicosity in statements from the Government—I do not believe that he will. The whole House will have read the bellicose statements made by President Ahmadinejad at the UN and will have been appalled by them. I can affirm to the hon. Gentleman that there will not be bellicosity from the Government on this issue, because is it far too important. We are also making a serious offer to Iran for economic, cultural and scientific co-operation. I think that that is the way forward, but it is not a way forward while the Iranian Government continue to defy not only the UN Security Council, but the International Atomic Energy Agency, which has continuing serious concerns about their programme and about their refusal to come clean about it.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Would my right hon. Friend, on behalf of Her Majesty's Government, make it clear that an attack on Iran by Israel would trigger off uncontrollable, convulsive and irreversible consequences that would damage not only the region, but the entire global system, and that such an attack must not take place? It would be an attack on one of the nastiest regimes in the world by another of the nastiest regimes in the world.

David Miliband: I do have genuinely huge respect for my right hon. Friend, but I cannot associate myself with that last sentence which he uttered. He will know that almost from my first day in this job I have emphasised that we are 100 per cent. committed to a diplomatic course with Iran and to a process of making it a serious offer that presents it major economic—never mind political—benefits, but that we must be insistent that a uranium enrichment programme in defiance of not only the UN Security Council, but of Iran's obligations under the non-proliferation treaty is a serious danger to stability in not just the middle east, but in the world. The middle east has enough problems without a nuclear arms race, and it is very important that we address that matter diplomatically on all fronts.

Mr. David Heathcoat-Amory (Wells) (Con): Could the Foreign Secretary say a little more about the outcome of the human rights discussions, because how Iran treats its own citizens gives some indication of how it might treat other people if it ever got the chance? Is he aware of reports of widespread executions, including mass executions and the executions of minors? If he has not already done so, could he make it clear to the Iranian Government that if they want to play a part in the world order and to persuade others that their own religion is other than barbaric, they must conform better to world standards of human rights?

David Miliband: The right hon. Gentleman makes an important point: how a country treats its own citizens is often a good indicator of how it is willing to treat citizens in other parts of the world. Perhaps I can give him the figures, which are horrific. Some 235 people have been executed in Iran during the first eight months of this year, and there were more than 300 executions last year—that was an increase from 177 in 2006. He also rightly says that Iran executes more juvenile offenders than any other country in the world. He is absolutely right to raise those human rights questions. We raise them too, and we deplore the way in which the Iranian Parliament is also now discussing a draft penal code that would set out a mandatory death sentence for the crime, quote unquote, of apostasy. If adopted, that would violate the right of freedom of religion, which is

also an important basis of any civilised society. I am pleased that he has raised the issue of human rights, and I assure him that we have raised it too.

Mr. Denis MacShane (Rotherham) (Lab): Would the Foreign Secretary agree that President Ahmadinejad's speech to the UN was probably the most consistently anti-Semitic speech by any leader since the end of the Third Reich? Does he also agree that the Conservative Muslim Forum's argument that Iran should have nuclear weapons is not helpful? The Prime Minister said last night, in an important speech, that we have to look at tightening up and increasing sanctions. Does the Foreign Secretary agree therefore that we need unity in this House, in Europe and with the United States and the world's democracies, but not with those who find excuses for Iran's leader?

David Miliband: My right hon. Friend makes three important points. If he looks at the special UN Security Council discussion on the middle east the week before last in New York, he will see that I specifically raised President Ahmadinejad's description of the, quote unquote, cesspool of Zionism, which was a disgraceful, anti-Semitic attack and a threat to a whole country. It was one member state of the UN threatening the life of another, which I am sure is abhorrent to all hon. Members. It is fair to say that we have seen a fair degree of unity across the House—in all three main parties—on this issue. The twin-track diplomatic approach is the right one. The so-called carrots of economic and scientific co-operation are right, but they have to be balanced by the potential sticks of economic sanctions. That is the right way for the world to express its displeasure at the way in which Iran is defying world opinion.

Mr. David Lidington (Aylesbury) (Con): First, may I associate my colleagues with the tribute to the outgoing members of the Foreign Secretary's ministerial team? I also welcome his three new colleagues and hope that they have a good, fruitful and enjoyable time at the Foreign and Commonwealth Office—[Hon. Members: "Short!"]

We too would like to see the day dawn when we can enjoy a better relationship with Iran, but given that the IAEA says that it is still being refused access to key sites and that the most recent UN resolution—1835—contained no new specific sanctions, does the Foreign Secretary believe that he should now seek to persuade the EU at least to agree to the oil and gas sanctions and the ban on export credits that the Prime Minister has repeatedly promised but that have not yet been delivered?

David Miliband: I am grateful for the hon. Gentleman's kind words and agree with all but one of the words that was used during his welcome for my new team.

At the last oral questions, we talked about how the European Union would implement resolution 1803. I am sure that the House will be pleased that on 7 August a common position was established in respect of banking and a range of other issues relevant to 1803, which shows the EU's determination to implement its sanctions obligations in full—and even go beyond the requirements of that resolution. In respect of the Prime Minister's promise to pursue oil, gas and other sanctions on the Iranian regime, I assure the hon. Gentleman that that remains an important part of our agenda, both within the EU and internationally.

Israel

2. **Anne Snelgrove** (South Swindon) (Lab): What recent assessment he has made of the durability of the ceasefire between Israel and Hamas. [224414]

The Secretary of State for Foreign and Commonwealth Affairs (David Miliband): The ceasefire agreement between Israel and Hamas has done much to reduce the violence. It has endured longer than many expected, but anyone who goes there will know that it remains fragile. We are concerned that it has not been accompanied by a significant improvement in the humanitarian situation in Gaza. There remains an urgent imperative to improve the access for humanitarian supplies, commercial goods and people.

It is also vital, to ensure that the ceasefire holds, that all involved do their utmost to resolve outstanding issues, including the return of Corporal Shalit and tackling arms smuggling.

Anne Snelgrove: I saw for myself the terrible effect of the blockade during a visit to Gaza earlier this year. Thanks to the ceasefire, some humanitarian supplies are getting through, but is my right hon. Friend aware that mortar and rocket attacks on Israel are still occurring? Hamas has set up summer camps for young people to indoctrinate them against Israel and for paramilitary training. On the other hand, the blockade continues to stop economic—

Mr. Speaker: Order. Supplementary questions must be brief. The hon. Lady's material sounds more like an Adjournment debate.

David Miliband: My hon. Friend makes the important point that all sides have responsibilities in resolving the continuing crisis—not only the humanitarian crisis but the security crisis that has landed Israel with 6,000 rockets since 2005. I can assure her that we are absolutely determined to pursue both security for Israel and justice for the Palestinians. In the end, that will be possible only through the two-state solution that is so important for the middle east.

Mr. Richard Spring (West Suffolk) (Con): Given the negative impact that rocket attacks from Gaza into Israel have had on public opinion about Israel, and the fact that they are therefore wholly counterproductive, what discussions has the Foreign Secretary had with Arab countries, notably Egypt, to secure a permanent cessation of rocket attacks for the reasons that he has spelled out?

David Miliband: I met the Egyptian Foreign Minister in New York two weeks ago and talked about Egypt's work to broker the ceasefire and to establish open crossings that do not allow the flow of arms but instead improve the economic situation in Gaza. The hon. Gentleman will know that this is an historic problem that has gone on for many decades and involves difficult security issues. However, I hope that he will also agree

that in the end only a political solution will deliver the long-term change that is needed in Gaza and the west bank. In that context, the new talks that are being led by President Abbas to seek reconciliation between the two factions for the Palestinian people is an important step forward.

Ann Clwyd (Cynon Valley) (Lab): May I say that the release of some of the Palestinian prisoners is to be welcomed, but nevertheless more than 40 elected Members of Parliament are still in jail without charge and without trial? When we were there with the Inter-Parliamentary Union at the end of July, we made it clear that that was totally unacceptable. They are elected Members of Parliament and should be either charged or released.

David Miliband: I agree completely with my right hon. Friend and would use exactly those words in respect of the 42, I think, elected MPs who have not been released. They should be either charged or released.

Mr. Stephen Crabb (Preseli Pembrokeshire) (Con): Would the Foreign Secretary reaffirm that the ceasefire between Hamas and Israel does not amount to a formal renunciation of violence by Hamas, which has so far refused to budge one inch in the direction of the Quartet principles? Until the group signs up to peaceful engagement in line with those principles, there can be no seat at the negotiating table for Hamas.

David Miliband: Yes, that is an important point. The ceasefire is a significant step forward and it would be wrong to suggest that it has no importance, not least for people in Israel and for those who live in the misery that exists in Gaza. The elected Hamas Government in Gaza need to concern themselves with the economic and social conditions there and tackling the rocket attacks is one way of doing that. The hon. Gentleman is also right that the negotiations for a two-state solution can occur only between two sides that believe in a two-state solution and are willing to renounce violence in the way set out by the Quartet.

Mrs. Louise Ellman (Liverpool, Riverside) (Lab/Co-op): On 13 September, President Ahmadinejad told Ismail Haniya, the leader of Hamas, that Iran would continue to give practical support to Hamas until Israel was destroyed. Does my right hon. Friend agree that that ideological hatred is the real obstacle to peace?

David Miliband: My hon. Friend makes a very important point. That is the root cause of some of the problems in the middle east. Some of the comments made in the interview described by my hon. Friend and some of those made at the UN, to which I referred earlier, are completely beyond the bounds of civilised discussion. The other issues on which my hon. Friend has campaigned—namely the perpetuation of anti-Semitic propaganda, notably in schools and elsewhere, in parts of the Arab world—remain an enduring cause of some of the strife. Obviously there needs to be a political solution, but the sort of commitment that she has to mutual understanding and respect is at the heart of an enduring solution.

Afghanistan

3. **James Brokenshire** (Hornchurch) (Con): If he will make a statement on trends in opium production in Afghanistan. [224415]

The Minister of State, Foreign and Commonwealth Office (Bill Rammell): Opium production in Afghanistan is dropping. Compared with last year, the overall area under opium poppy cultivation this year is down by 19 per cent. and the number of poppy-free provinces is up from 13 to 18. However, production fell by only 6 per cent. due to higher yields. Those figures reflect the growing success of the Afghan Government's drug control strategy. As security and governance improve across the country, more areas are becoming poppy-free.

James Brokenshire: While heroin production has decreased across the whole of Afghanistan, the Minister will be aware that there has been a sharp increase in Helmand province, which now accounts for around 60 per cent. of the country's output. Some people describe Helmand as the world's biggest producer of illicit drugs, so will he explain what practical measures he is taking to ensure that heroin from Helmand does not get into the hands of drug pushers in this country?

Bill Rammell: The hon. Gentleman makes a good point. Progress is being made across Afghanistan, but there are particular problems in Helmand province. However, we must retain our comprehensive strategy for building institutions and developing alternative livelihoods for poppy farmers. Crucially, the strategy is about interdiction and law enforcement, and the proposed changes to NATO's operational plan, which would allow ISAF—international security assistance force—troops to do more against illegal narcotics operations in Afghanistan, can help us to move forward.

Mr. David Crausby (Bolton, North-East) (Lab): A surge in military operations in Iraq has clearly been effective, so does my hon. Friend accept that a surge in operations to prevent and destroy poppy production in Afghanistan is absolutely essential if we are to deny the warlords and the Taliban weapons and resources?

Bill Rammell: We need to be clear that we need a comprehensive strategy in Afghanistan. A military component is a crucial element of that, but there need to be the other ingredients as well. We certainly have a strong military presence in Afghanistan, but we also need others to make that contribution.

Mr. Keith Simpson (Mid-Norfolk) (Con): The Minister has talked about a comprehensive strategy. We all know that there have been divisions in the past between the Americans and ourselves about dealing with opium production, and further contradictory views have been expressed recently by both British and American officials. The UN Secretary-General has said that the security situation in Afghanistan has "deteriorated markedly" this year, it is reported that our ambassador in Kabul raised serious concerns about the direction of our strategy, and General Petraeus has said that there has clearly been a deterioration in the situation in Afghanistan. Given those views, will the Minister accept our long-standing calls for an immediate, high-level assessment

of the state of Afghanistan and of British goals there? Will he commit the Government to making full, quarterly reports on the country and on what we are doing there?

Bill Rammell: May I say to the hon. Gentleman that we have a comprehensive strategy, and that we keep it under constant review to ensure that it is working? However, there is no difference between us and the US on this issue. I returned to foreign affairs two and a half days ago, and it is three and a half years since I previously held responsibility in this area, but I believe that there is now a stronger degree of co-ordination and determination to make progress on these issues. The terrain is difficult and extremely challenging, but we need that comprehensive strategy and the UK and US are determined to work at it together.

Mr. David Drew (Stroud) (Lab/Co-op): The comments of the British commander in Afghanistan at the weekend certainly gave many of us food for thought. With that in mind, does the Minister agree that it is about time that we reassessed whether it is fair for the British to be leading not only in the Helmand campaign but also in drugs interdiction?

Bill Rammell: We need to be clear that our responsibility for drugs interdiction is one of the responsibilities that we have taken on, and that other G8 partners have taken on different responsibilities as part of a co-ordinated effort across the board. It is a difficult situation. We are making progress and I think that we can defeat the Taliban in their efforts to usurp the will of the Afghan people through their democratically elected Government, but it is not just a question of having a military strategy. What we need is a comprehensive military, economic and social development strategy.

Israel

4. **Bob Russell** (Colchester) (LD): When he last had discussions with the Government of Israel on the establishment of settlements on Palestinian land. [224416]

The Secretary of State for Foreign and Commonwealth Affairs (David Miliband): I most recently raised this issue with the Government of Israel during the UN Security Council debate on the middle east last month. Israeli settlement building anywhere in the occupied Palestinian territories is illegal under international law. That includes settlements in both east Jerusalem and the west bank.

We regularly press the Israeli Government, both in public and private, to implement an immediate freeze on all settlement activity, including so-called "natural growth". The Prime Minister made that clear during his speech to the Knesset on 21 July.

Bob Russell: I am grateful to the Secretary of State for that answer. The problem is that the Israeli Government are not listening. They are not acting and are, therefore, exacerbating the problems in the middle east. Is it not time that the British Government and other democracies told Israel that it must uphold United Nations resolutions, and with that in mind will the right hon. Gentleman meet a delegation from War on Want when it holds a mass lobby of Parliament on 19 November?

David Miliband: I am always happy to meet hon. Members or delegations, and either I or my hon. Friend the Minister of State will meet them on that date, depending on availability. When we talk of Israel implementing its commitments under UN resolutions, which I support, we must also call on all parties to implement all their commitments under the UN Security Council resolutions. It is important to say in respect of settlements that there are commitments under the US-brokered road map that must also be adhered to, and which are vital for the sort of confidence that negotiations need.

Richard Burden (Birmingham, Northfield) (Lab): As well as the illegality of the settlements themselves, does my right hon. Friend agree that one of the disturbing things that has happened recently is the upsurge in injuries as a result of settler attacks on Palestinians in the west bank? Although the Israeli Government cannot control their militants any better than the Palestinians can control their militants, is it not worrying that according to the UN between 80 and 90 per cent. of cases have their files closed by the Israeli authorities before prosecution?

David Miliband: Certainly, violence on any side is to be deplored. In the west bank at the moment, as I have seen for myself, there is a delicate process of building up the Palestinian security force, with a training centre in Jericho funded by the UK and the new move into Jenin, which has put Palestinian security forces on to the streets of Jenin, including its refugee camp, for the first time. That needs to be supported, and it needs to be supported by the Israel Defence Forces controlling areas where it still has a presence, and also by the Israeli Government. We certainly adhere to the principle that violence on any side is to be deplored.

Mr. Crispin Blunt (Reigate) (Con): To my knowledge we have been regularly pressing the Israelis on the issue since 1995-96, when in the wake of Oslo it was clear that settlement building was continuing. Since Oslo the number of settlers has more than doubled. Every single day that a Palestinian is looking across at a settlement, the fact of Israel's settlement policy gainsays whatever else Israel says about seeking peace and a sustainable two-state solution. When will we actually do something about it?

David Miliband: The problem that the hon. Gentleman identifies is absolutely right and the diagnosis is shared on the Government side. What we do about it is to press the Israelis, both publicly and privately, and work with our partners to ensure that there is a robust peace process. I think the hon. Gentleman will agree that for seven years after January 2001 there was no political process at all. Alongside settlement building, the absence of a political process meant that there was nothing for Palestinians or Israelis who wanted a two-state solution to invest in. The political process that has been established since Annapolis—faltering as it is—none the less offers the only hope for a sustainable solution. It is that political process that we should invest in.

Tom Levitt (High Peak) (Lab): I very much welcome my right hon. Friend's answer to the question. Does he acknowledge that in the run-up to the recent parliamentary elections on the west bank it was the behaviour of the Israelis, through settlement policy and others, which led

many Palestinian voters into the political arms of Hamas? Would it not be unfortunate if there were to be that same tendency between now and the presidential elections in the west bank and Gaza, and if the Israeli policy continued to have that effect?

David Miliband: It would be much worse than unfortunate. It really does torpedo the hopes of many of us for the two-state solution, which is the only solution in the region. President Abbas, as the directly elected leader of all the Palestinian people, is the right person to lead those negotiations. He is someone successive Israeli leaders have said they want to work with. The truth is that the moderates need to invest in each other—that is the only way in which they will make progress.

Iran

5. **Stephen Hammond** (Wimbledon) (Con): If he will make a statement on Iran's nuclear programme. [224417]

The Minister of State, Foreign and Commonwealth Office (Bill Rammell): Dr. Mohammad el-Baradei, director general of the International Atomic Energy Agency, reported on the state of Iran's nuclear programme on 15 September. Once again his report confirmed that Iran had failed to suspend enrichment-related activities and had made no progress on the transparency measures the Security Council and the IAEA have long called for, and that as a result of Iran's failure to engage, the IAEA had been unable to make any substantive progress on resolving the questions about studies with a possible military dimension—studies that it judges are of serious concern.

Stephen Hammond: The Minister will of course know that there is a UN ban on sales from Iran, and an EU ban on sales to Iran. However, given what he has just said about the possible military applications, and given the expansion of the nuclear programme, what are the Government doing to secure a UN ban on sales of arms to Iran?

Bill Rammell: We have taken the lead, through the European Union and the Security Council, in putting in place effective sanctions on Iran, and we will continue to make the case for improved sanctions. As the Foreign Secretary said, we very much want to take a twin-track strategy, in which we urge Iran to engage. There is a significant offer on the table following the EU3 plus three negotiating process, and I strongly urge the Iranians to engage in that process.

Tony Lloyd (Manchester, Central) (Lab): Would my hon. Friend agree that, while he and the Foreign Secretary are absolutely right about the dangers that Iran poses to the region, and indeed to the whole world, it would be very helpful if the new Administration in Washington were prepared to hold a proper dialogue with Tehran? I mean a dialogue not without precondition—a dialogue in which we are determined to push the very important issues. Washington does matter, as it is the one voice that would make a real difference in Tehran.

Bill Rammell: Washington certainly matters, and Bill Burns's commitment to go to the Geneva talks is a positive step forward. Undoubtedly, Washington has to play a role, but we need a co-ordinated, concerted effort by all the international partners to make it very clear that a nuclear-engaged Iran is not the way forward. However, offers are on the table for diplomatic engagement with Iran. That is very much the path that we want Iran to take.

Mr. John Horam (Orpington) (Con): How do the Government evaluate the role of Russia in relation to Iran's nuclear programme? Has the Minister noticed any change since the war in Georgia?

Bill Rammell: That is something that my right hon. Friend the Foreign Secretary recently discussed with the Russians. It is clear that they have supported, diplomatically, the efforts to ensure that the Iranians understand our position, and they have supported successive UN Security Council resolutions. Through dialogue, we will ensure that we continue to put across the argument to the Russians that they need to work with us on this crucial issue, as indeed they are doing.

Zimbabwe

6. **Danny Alexander** (Inverness, Nairn, Badenoch and Strathspey) (LD): If he will make a statement on the political situation in Zimbabwe. [224418]

The Secretary of State for Foreign and Commonwealth Affairs (David Miliband): My written ministerial statement to the House yesterday made our position clear. Zimbabwe's people want the agreement that was signed on paper to work in practice. That requires a Cabinet to be appointed without further delay that will reform Zimbabwe's economic management and the behaviour of its security forces. We continue to provide humanitarian relief to the Zimbabwean people to the tune of more than £50 million a year. We remain ready to support recovery when a new Government show commitment to reform.

Danny Alexander: I am grateful to the Foreign Secretary for that answer, and for his statement yesterday. Once again, President Mugabe is stalling plans to involve the Movement for Democratic Change in the Government of Zimbabwe. Does the Foreign Secretary think that Thabo Mbeki is still a credible mediator now that he is no longer in office, or does he agree that until there is a credible mediation process in place, Mugabe will simply use the lack of progress to cling on to power, to the detriment of the Zimbabwean people?

David Miliband: President Mbeki's role came from his presidency of the Southern African Development Community; obviously, his role has now changed. However, the responsibility is clearly on Mr. Mugabe. The agreement has been signed. It is sitting there waiting for implementation. Mr. Tsvangirai is ready to work with Mr. Mugabe on the distribution of Cabinet portfolios, and that is the key test now. An agreement has been made, but no Government have been formed. During that time, more misery has been caused to the people of Zimbabwe. The next step is absolutely clear; it is not for Mr. Mbeki or anybody else to take it, but Mr. Mugabe, and the world needs to hold him to account for that.

Tony Baldry (Banbury) (Con): Given that Mugabe is yet to deliver on anything, why does the Foreign Secretary think that he will deliver now? The only reason why we have got so far is pressure from South Africa. The Foreign Secretary grimaces, but if it had not been for some of the intervention from South Africa, we would not have got this far. What are the UK Government doing together with the Government in Pretoria, if not with Mbeki, to ensure that pressure is maintained on Mugabe?

David Miliband: The greatest pressure is from the Zimbabwean people who voted for the Opposition. There is also pressure from the economic collapse that is happening in the country. In the end, the deal was struck not between the British Government and Mr. Mugabe, but between Mr. Tsvangirai and Mr. Mugabe, and it is his decision to engage in the agreement that is critical. South Africa remains an important partner: remember, it has 3 million Zimbabwean refugees in its country, so it has an overriding interest in tackling the problems in Zimbabwe, and we remain in close touch with the new South African authorities to try to ensure that the right pressure is applied from all sides, not only from South Africa, but from elsewhere in southern Africa.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): Is the Foreign Secretary aware that the United Nations Under-Secretary-General for Humanitarian Affairs estimates that by next spring up to 6 million Zimbabweans may be in need of food aid? What representations has the British Government made to the non-functioning Zimbabwe Government to allow NGOs and others who can build up proper food stocks to do so, so that those people do not suffer?

David Miliband: That is precisely the issue that the Secretary of State for International Development and I discussed with the Secretary-General of the UN in New York. The hon. Gentleman is right to say that the projections for famine are stark and clear. The UN is an important part of the process, but he is also right to say that the relaxation of the ban on NGOs is a critical part of the agreement that now needs to be adhered to.

Mr. Mark Francois (Rayleigh) (Con): May I pursue the last point further with the Foreign Secretary? With the food crisis in Zimbabwe reaching very serious proportions and, as we have heard, a new Government still not formed, what specific plans—British, EU, Commonwealth or other—exist for a serious humanitarian relief effort, if the political crisis continues to escalate but the supply situation in Zimbabwe continues to deteriorate?

David Miliband: I hope the hon. Gentleman was not suggesting that the current programme, which delivers food through the World Food Programme to over 2 million people, is not serious. It is a very serious programme, which is already under way. The hon. Gentleman says the situation will get worse and he is right. That is why the World Food Programme needs to be in charge of a scaling up of the programme from 2 million to 5.3 or 5.4 million—that is the figure that I had, rather than the 6 million that the hon. Gentleman mentioned. None the less, that means a massive famine across the country, and the World Food Programme is in the key position to organise that effort. The UK will be a strong supporter of its work.

Afghanistan

7. **Mr. Peter Bone** (Wellingborough) (Con): What his latest assessment is of the political situation in Afghanistan. [224419]

The Minister of State, Foreign and Commonwealth Office (Bill Rammell): As the Prime Minister saw during his visit to Afghanistan in August, progress since 2001 has been significant. The Afghan people increasingly have a voice about their future through their representatives at both the local and the national level, but progress is fragile and the issues are challenging. There is no room for complacency. We are working with the Afghans and our allies to encourage greater political focus in advance of next year's elections, and the UK continues to support the Afghan Government in delivering a better future for their people.

Mr. Bone: I thank the Minister for his response. Does he agree with Brigadier Carleton-Smith, commander of 16 Air Assault Brigade, who said:

"If the Taliban were prepared to sit on the other side of the table and talk about political settlement, then that's precisely the sort of progress that concludes insurgencies like this"?

Bill Rammell: I certainly would not support dialogue with those who are committed to violence, but I would support Afghan efforts to reach out to those within the Taliban who are genuinely prepared to leave the path of violence and engage in the legitimate political process. That is a message which we need to put across forcefully.

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): What is the Government's response to commanders on the ground who are saying that the current war in Afghanistan cannot be won militarily?

Bill Rammell: I urge my hon. Friend to read very carefully the comments that have been made; I do not believe that that is an accurate description of them. I believe, and it is certainly the Government's view, that we can prevent the Taliban from usurping the legitimate will of the Afghan people through their democratically elected Government, but that will mean that we need a comprehensive strategy—the one that we have in place, which has a military dimension but has a social, economic and political one as well.

Mr. Bernard Jenkin (North Essex) (Con): The Defence Committee visited Afghanistan this year as well as last year, and it was clear to us that everything in Afghanistan is worse this year than it was last year. When will the Government be realistic, as I believe Brigadier Carleton-Smith is being realistic? In view of what the Minister has just said, will he not endorse the invitation issued by the President of Afghanistan to Mullah Omar for talks? Unless the Taliban can be separated from al-Qaeda, they will fight alongside al-Qaeda. They are not the same as al-Qaeda, and there is no need for them to be part of al-Qaeda's effort.

Bill Rammell: First, as I said earlier, I do not believe that it is an accurate description to say that there has been no progress. To take one example, although there are further challenges, poppy cultivation in Afghanistan, as was endorsed by the UN, is down this year compared with last year. With regard to the Taliban, I reiterate what I said a moment ago. If individuals within the Taliban are prepared to renounce the path of violence, yes, we should talk to them, but that commitment needs to be made

Mr. David Winnick (Walsall, North) (Lab): Although the original intervention was perfectly justified, British troops have now been involved in Afghanistan for longer than the duration of the second world war, so is it not necessary to make it perfectly clear that their presence there simply cannot be open-ended? We cannot be there for years to come.

Bill Rammell: We need to be clear that we have a responsibility to the Afghan people, but we also have a responsibility in our own interest. To turn the debate back to poppy cultivation, bearing in mind that 95 per cent. of heroin on our streets comes from Afghanistan, we have a vested interest in seeing this through. We certainly do want the Afghan authority to take ever greater responsibility so that the necessity for us to be there is diminished, but we need to maintain our commitment and responsibility.

Sammy Wilson (East Antrim) (DUP): This week 100 soldiers from the Territorial Army have returned to Northern Ireland from Afghanistan, and will rightly be honoured by Belfast city council at the end of the month. But as the political situation in Afghanistan is still fragile, the Americans say that they need about three more battalions, and the outgoing British commander has said that the situation is still very fragile and the Taliban are still resilient, will the Minister comment on the likelihood of troops being withdrawn within the next three to five years? Or is it likely that soldiers from Northern Ireland and elsewhere will be going back to Afghanistan for further tours of duty?

Bill Rammell: First, I pay tribute to the hon. Gentleman's constituents, who are doing a superb job on behalf of this country. We have a commitment. We have a continuing presence, which we keep under review, but I will certainly not make arbitrary commitments about time scales over which there may or may not be a reduction in troop levels.

Jeremy Corbyn (Islington, North) (Lab): British troops have now been in Afghanistan for longer than the duration of the second world war, and the Ministry of Defence is talking about keeping them there for 30 years. Does not the Minister agree that it is now time for a change of course? The war has already spread over into Pakistan, thousands are dying, and there is no military solution there. Does he not accept that there has to be a political solution that also involves the withdrawal of western troops from Afghanistan?

Bill Rammell: I say to my hon. Friend, who takes a serious interest in these issues, that we have not talked in terms of an exclusively military strategy—a point that I have tried to make repeatedly this afternoon—but we need to implement the strategy that we have in place. I strongly believe that it is the right strategy. It has a military component, but it has many other elements as well. It is the right strategy, and we need to ensure that we implement it and that it works.

Sir Peter Tapsell (Louth and Horncastle) (Con): Now that our ambassador in Kabul and our senior combat commander in Helmand province have both confirmed the wisdom of the advice that I have been giving to Ministers—for a period almost longer than the second world war—that the war in Afghanistan is unwinnable, will Ministers now do their best to support the internal Afghan peace settlement negotiations that are taking place at this very moment in Mecca?

Bill Rammell: We certainly want to see progress made. With regard to the ambassador's comments, which were reported in *Le Canard enchaîné*, I did not believe what I read in that newspaper when I was an undergraduate living in Paris, and I certainly do not believe it today. It is not an accurate description of the views of our ambassador or of the British Government. We need to make progress and that is what we are determined to do.

Female Circumcision

8. **Mrs. Linda Riordan** (Halifax) (Lab/Co-op): What recent reports he has received on the practice of female circumcision in other countries; and if he will make a statement. [224420]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Gillian Merron): The UK Government condemn female genital mutilation as an extreme violation of women's and girls' human rights—a violation to which the World Health Organisation estimates up to 140 million women and girls have been subjected. We work through international organisations to eradicate the practice, which is now a criminal offence in the UK.

Mrs. Riordan: I thank the Minister for that reply. At least 2 million girls are thought to be subjected to the barbaric practice of female circumcision every year. The process is painful, dangerous and extremely frightening; the girls are often held down and forcibly circumcised. Will the Minister confirm again that she will do everything that she can, working with the World Health Organisation and the United Nations, to put an end to that inhumane practice?

Gillian Merron: I certainly can confirm that. I congratulate my hon. Friend on being a long-standing campaigner against that abuse. Last year, the UK Government gave about £64 million to support the work of the UN agencies and the World Health Organisation in their commitment to stop female genital mutilation in one generation. That will be used to fund work with civil society and traditional, religious and political leaders, to help to change the attitudes of women as well as men, because that is what needs to happen.

Topical Questions

T1. [224345] **Mr. Eric Martlew** (Carlisle) (Lab): If he will make a statement on his departmental responsibilities.

The Secretary of State for Foreign and Commonwealth Affairs (David Miliband): My right hon. Friends the Prime Minister and the Secretary of State for International Development and I led a ministerial team for this year's UN General Assembly ministerial week. The Prime Minister's personal commitment contributed significantly to the success of the Secretary-General's high-level event on the millennium development goals. I took forward our work on several of our top-priority foreign policy issues, from Pakistan to Afghanistan to Burma. The Security Council agreed a new resolution on Iran, and I had useful discussions on Somalia, Sudan, the middle east peace process, Georgia and international peacekeeping.

Mr. Martlew: During the summer I visited Romania, and was able to see the prosperity and hope that membership of the EU had brought to that country. Can my right hon. Friend tell me what progress is being made on the application from the Republic of Macedonia? It, too, could benefit from the prosperity that being a member of the EU would bring.

The Minister for Europe (Caroline Flint): As my hon. Friend knows, Macedonia is an EU candidate country and has made real progress against the benchmarks this year. However, work still needs to be done to improve on the conduct of elections and to strengthen political dialogue and legislative processes. A progress report from the European Commission is due in November, and that will provide an important assessment. I understand that the Macedonian Deputy Prime Minister in charge of European integration is coming to London next week; I hope to have the time to meet him.

Mr. William Hague (Richmond, Yorks) (Con): May I, as shadow Foreign Secretary, join the tributes to the Ministers who have left the Front Bench, particularly the hon. Member for Pontypridd (Dr. Howells), who has gone, but whose disarmingly frank answers were a model to follow? We are not sure quite what the Foreign Secretary did over the recess to warrant the clear-out of his entire Commons team by the Prime Minister—but we can have a good guess.

We welcome the new Ministers to the Front Bench. We welcome, too, the written statement that the Foreign Secretary made yesterday about Georgia and Russia. In that statement he noted, of course, that the talks on a future partnership agreement between Russia and the EU are still suspended. Will he set out what he thinks the criteria are for the resumption of those talks? Should they not include not only the implementation by Russia of the six points of the 12 August ceasefire plan, but the facilitation of the return of Georgian refugees to their homes in Abkhazia and South Ossetia? Would it not be inappropriate to resume those talks if Russia were, in effect, a party to ethnic cleansing?

David Miliband: I am grateful to the right hon. Gentleman for his kind words to my hon. Friends. My hon. Friend the Member for Pontypridd (Dr. Howells) is no longer here—

John Bercow (Buckingham) (Con): He is a great man.

David Miliband: He is indeed a great man. I will make sure that he hears the words of the right hon. Member for Richmond, Yorks (Mr. Hague).

In respect of the Georgia-Russia issue, the right hon. Gentleman has raised two factors that are certainly two of the "criteria", to use his word, that we should use in deciding whether to re-engage on the partnership and co-operation agreement. He will know that an audit is under way of all EU-Russia relations, from the cultural and diplomatic right through to those that involve research, or other political issues. When that audit is complete, we will take a view in the round about the right way forward.

Mr. Hague: Moving on from the main foreign policy crisis of the past two months to the pre-emption, I hope, of a future crisis, the Foreign Secretary gave a written answer yesterday saying that he had written to his EU colleagues to ask for greater EU focus on Bosnia-Herzegovina. Does he therefore share our alarm that after last week's Defence Ministers meeting, some of them said that there would now be a plan for the withdrawal of the remaining international troops from Bosnia? Will he go further than writing a letter, and say that in the view of Britain—given the current precarious position in Bosnia, the calls for the destruction of that state, and the efforts by Russia, in particular, to close down prematurely the office of the high representative—the withdrawal of international troops from Bosnia would be a great mistake, which would send the worst possible signal, and that this is a time for united strength, not for any sign of weakness?

David Miliband: It was precisely in the search for united strength that the Foreign Minister of the Czech Republic and I wrote to all our EU colleagues about this issue in July, following a meeting that I had with High Representative Lajčák, who is doing an excellent job in Bosnia in very difficult circumstances. The issue of the office of the high representative is a critical one. However, there is an agreement that that office should be closed when the commitments that all parties have made to it have been concluded and implemented in full. I can assure the right hon. Gentleman that it remains very much the policy of the British Government that the office of the high representative needs to be supported in the fulfilment of all its functions until such time as those commitments have been fulfilled.

Mr. David Clelland (Tyne Bridge) (Lab): The Foreign Secretary will be aware of the devastation caused to the Turks and Caicos Islands when hurricane Ike recently passed through the region. Is he aware that the situation continues to be grave, with electricity supplies and telecommunications disrupted and many public and private buildings in need of repair and restoration? Can he satisfy the House that everything possible has been done by the United Kingdom Government to help the Turks and Caicos Islands; and does he agree that in the circumstances it might be appropriate to suspend the current inquiry into the governance of the islands until normality is restored?

David Miliband: I am glad that my hon. Friend has raised the natural tragedy that has occurred in the Turks and Caicos Islands. He is right about the level of devastation, and he can be assured of our commitment to trying to help to remedy the situation. I am very wary of suspending the discussions on the political governance arrangements, because in the end it is precisely those arrangements that will give strength to the people of the

Turks and Caicos islands themselves in responding to the problems that exist there. We want to support them, but we should be leery of suspending the reform of governance. Particular meetings may have to be rescheduled, but I would be sorry if the process were stopped.

T3. [224347] **Miss Anne McIntosh** (Vale of York) (Con): At this time of turmoil in the financial markets, we look to the European Union to give some guidance, particularly as it is a single market. How can the Foreign Secretary encourage our European partners to put aside potentially very narrow self-interest that could have huge implications for neighbouring countries, and urge them to act in the European interest? *[Interruption.]*

David Miliband: I do not know whether it was one of the Members on the Conservative Front Bench or the hon. Member for Wellingborough (Mr. Bone) who just shouted out, "Fat chance"—but the case for co-ordinated European action has been more than demonstrated by the events of the past few weeks, which have made it clear that the interdependence of which my colleagues and I have spoken many times is a reality, not only economically but in other spheres. The Chancellor of the Exchequer is at the ECOFIN meeting today, and that is the most obvious place to reinforce the need for the co-ordination of which the hon. Lady speaks. It is also important to say that next week's European Council, which the Prime Minister and I will attend—[HON. MEMBERS: "Together?"] Together. That Council, which would originally have focused on issues to do with the Lisbon treaty, will now be significantly devoted to the economic crisis and how Europe should respond to it.

T2. [224346] **Mr. Andy Reed** (Loughborough) (Lab/Co-op): My right hon. Friend will be aware that the conflict in northern Uganda involving the Lord's Resistance Army has displaced more than 2 million people—not only that, but people are living in absolute fear. It has recently been suggested that aid agencies should work in the region. Are the Government taking steps to ensure that peace is finally brought to that area, and that aid gets through to those who most need it?

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Gillian Merron): The UK Government remain committed to the success of the Juba peace process, which has already led to sustained peace, security and stability in northern Uganda, and a negotiated peace deal. The door remains open for the leader of the Lord's Resistance Army to sign the final peace agreement. The House will want to know that the UK has so far contributed about £750,000 to the Juba initiative fund to support the mediation process, and I can confirm that the Government have not provided aid directly to the Lord's Resistance Army.

Mr. Edward Davey (Kingston and Surbiton) (LD): May I too welcome the Foreign Secretary's new team? On these Benches, we will particularly miss the hon. Member for East Renfrewshire (Mr. Murphy), with his qualities of soft power—he will need those north of the border, with his new ministerial responsibilities.

On this summer's crisis in South Ossetia, does the Foreign Secretary recognise that some Members found the response of the Government—and indeed, of the Conservatives—in proposing fast-track membership of NATO for Georgia and Ukraine, deeply flawed and lacking any credibility? While the Government were right to criticise Russia in strong terms, does the right hon. Gentleman not realise that NATO is currently in no fit state to give out defence guarantees as if they were confetti? Is he not in danger of undermining NATO, instead of creating the wider diplomatic unity needed to stand up to Russia effectively?

David Miliband: I am sorry to hear that question from the hon. Gentleman, because the discussions and decisions about NATO membership took place in April at the Bucharest summit, rather than during the summer. As it happens, the President of Ukraine was in London yesterday to meet the Prime Minister and myself. Surely it is an important founding principle of this House that sovereign nations with democratic Governments should be able to make their own choices about which international organisations they belong to. The European Union and NATO have clear criteria for membership, and those criteria allow countries to apply. It would not be right to apply those principles with fear or favour. It must be right to respond to countries' democratic decisions in an open and engaged way.

In respect of Georgia, the NATO-Georgia council established at the emergency NATO meeting was precisely designed to build up Georgia's capacity for its own armed forces and to build up co-operation with NATO. That seems a sensible and reasonable thing to do in light of the decisions that leaders made in April. A final decision on NATO membership can be made in due course. That is not the issue at the moment; the issue is Russian aggression into Georgia, and whether there should be co-operation between NATO and Georgia. I think that there should be.

T4. [224348] **Dr. Howard Stoate** (Dartford) (Lab): My right hon. Friend will be aware of the case of my constituent, Mr. Patrick Malluzzo, who is currently serving a 10-year sentence in Kota central jail in Rajasthan, India for drug-trafficking offences. Can I ask my right hon. Friend to ensure that when Mr. Malluzzo's appeal eventually comes—he has now been waiting for more than two years—there is a British consular presence? His family and I, and Fair Trials International, have a number of concerns about the way in which his initial trial was conducted, as well as his subsequent treatment in prison. Will my right hon. Friend ensure that there is a consular presence at his appeal hearing when a time for it is finally agreed?

The Minister of State, Foreign and Commonwealth Office (Bill Rammell): I know that my hon. Friend has taken an intense interest in that issue, and has followed it and lobbied on it strongly. We are giving consular assistance to Mr. Patrick Malluzzo and his family. It is not normal practice for us to attend hearings, but we look at matters on a case-by-case basis. I will consider the case when it comes forward, and I am happy to meet my hon. Friend to discuss his concerns.

Mr. Oliver Heald (North-East Hertfordshire) (Con): Coming so close to the 40th anniversary of the crushing of the Prague spring by the Soviet Union, there was a deep sense of shock throughout Europe to see what happened in Georgia—Russian tanks on the streets of another country. There have been some reports that the

Russian authorities were rather shocked by the response of the international community. What assessment has the Foreign Secretary made of that, and is he satisfied that he has made all—*[Interruption.]*

Mr. Speaker: Order. One supplementary question.

David Miliband: The international community has made its view most clear in its failure to follow the Russian lead on recognition of Abkhazia and South Ossetia. Two countries followed the Russian lead, and—ironically, given our earlier discussion—Hamas also recognised them, but otherwise the world has been united in refusing to recognise a country created on the basis of force. A clear signal has been given that it must be the rule of law that decides the future map of Europe and its neighbourhood, not force.

T5. [224349] **Ms Sally Keeble** (Northampton, North) (Lab): Could my right hon. Friend say what discussion he has had with the caretaker Government of Bangladesh, in particular about the human rights abuses and about support in the run-up to the forthcoming elections?

David Miliband: Yes. The elections are scheduled for 19 December. Since my visit to Bangladesh in February, I have been engaged at both official and ministerial level in ensuring that the elections are carried out in a way that brings credit to the country. The House will be pleased to know that the identity card system that has been introduced in Bangladesh to ensure that everyone has one vote, and not more than one vote, is immensely popular there, and will give women equal rights for the first time. On the human rights situation, which my hon. Friend also raised, there are concerns there. We certainly take up individual cases, as well as making the general point about the need for a democracy to be underpinned by the rule of law and respect for human rights.

T6. [224350] **Charlotte Atkins** (Staffordshire, Moorlands) (Lab): What progress is being made in the EU on a trade agreement with central America, and what can be done to help central America use trade more effectively, both to eradicate poverty and to combat the impact of rising global food prices?

Gillian Merron: The EU has just completed its fourth session negotiations with central American countries on the association agreement in July. The latest session is ongoing and good progress has been made so far. The UK is supporting the EU's eagerness to push forward in the next session, particularly with regard to sustainable development, and environmental and political issues. On trade and aid, it is probably worth saying that trade is very much a powerful engine for growth, and for poverty reduction. Some 70 per cent. of UK Government aid for supporting trade development is delivered through various multilateral institutions, which enables poor people to trade their way out of poverty.

T7. [224351] **Lorely Burt** (Solihull) (LD): The Foreign Secretary will be aware of an article published in *Time* magazine over the summer in which a former CIA officer claimed that the British territory of Diego Garcia had been used by the US to hold and interrogate terror suspects. What has the Foreign Secretary done proactively to investigate this disturbing claim? Does he now recognise that it is his responsibility to investigate this matter, and will he launch a full Government inquiry—

Mr. Speaker: Order. In the nicest possible way, I must say to the hon. Lady, and other Members of Parliament, that reading out a supplementary is not acceptable, and I will stop that practice immediately. The other thing is that the supplementary is too long, and we are running over time.

David Miliband: Briefly, Mr. Speaker, we addressed the issue directly in the investigation that we undertook of all allegations of rendition through Diego Garcia, following my statement in February. A written—*[Interruption.]* The hon. Member for Kingston and Surbiton (Mr. Davey) shakes his head, but every single allegation of a flight being used was sent to the United States, and my statement made it clear that there was no evidence of any flight, other than the two that I announced to the House.

T8. [224352] **David Taylor** (North-West Leicestershire) (Lab/Co-op): Three months in, the joint United Nations-African Union peacekeeping mission in Darfur, UNAMID, is still well below planned strength, with UN members failing to provide 18 requested helicopters, despite a recent NGO report showing that Italy, Romania, Spain and the Czech Republic, among others, collectively have at least 70 suitable aircraft available. Will the Foreign Secretary take urgent steps to ensure that Britain and its European partners commit their full share of support to UNAMID operations, thereby protecting totally innocent civilians in Darfur from the murderous attacks to which they are currently being subjected?

David Miliband: My hon. Friend makes an important point. I share his frustration at the fact that the UNAMID force is now made up of 9,000 peacekeepers, not the 26,000 who were promised by the UN resolution. The issue was raised in New York with the Vice-President of Sudan, because it has important responsibilities. My hon. Friend is also right to say that the international community needs to deliver the helicopters. In that context, I am sure that he will be pleased that the Prime Minister's discussions with the President of Ukraine yesterday yielded a strong Ukrainian commitment to make a contribution in this area.

T9. [224354] **Dr. Stephen Ladyman** (South Thanet) (Lab): The ceasefire in Gaza is far from comprehensive. There are still sporadic missile attacks on Sderot and other Israeli communities, and in the past 24 hours Hamas has announced that it will not recognise the legitimacy of President Abbas after 8 January. In those circumstances, what more can we do to keep the peace process moving and try to shore up the ceasefire?

David Miliband: The most important thing that we can do is to work with our international partners, including President Abbas, the leader of the Palestinian Authority, to ensure that when there is a new Israeli Government, they follow through on the negotiating process that has been started. Secondly, we must ensure that during any transition in the United States, there is no halt to the peace process and that, certainly from 20 or 21 January when the new Government are installed in Washington, the middle east peace process has a high priority from day one, and does not have to wait until later in the Administration.

BILL PRESENTED

BANKING

Mr. Chancellor of the Exchequer, supported by the Prime Minister, Secretary David Miliband, Secretary Jack Straw, Secretary Jacqui Smith, Mr. Secretary Hutton, Yvette Cooper, Stephen Timms, Angela Eagle and Ian Pearson, presented a Bill to make provision about banking: *And the same was read the First time; and ordered to be* read a Second time on Wednesday 8 October, and to be printed. Explanatory notes to be printed. [Bill 147].

Opposition Day

[18TH ALLOTTED DAY]

Government's Fiscal Rules

Mr. Speaker: I inform the House that I have selected the amendment in the name of the Prime Minister.

3.35 pm

Mr. Philip Hammond (Runnymede and Weybridge) (Con): I beg to move,

That this House notes with concern the successive criticisms by the IMF, the EU and the OECD of the state of the UK's public finances; further notes that the Government are reviewing the fiscal rules and calls on the Government to announce the outcome of that review first to this House; further calls on the Government to clarify whether or not the Sustainable Investment rule will be met and to implement a full and independent review of the public finances, including off-balance sheet liabilities under the private finance initiative and public sector pension schemes; and further calls for the fiscal rules to be scrapped and replaced with a forward-looking fiscal framework with an independent mechanism for monitoring and assessing the sustainability of the Government's fiscal position.

The global financial markets crisis is dominating the news agenda, and of course presents an immediate and pressing challenge to policy makers, first to maintain the liquidity of the banking system in the face of an unprecedented squeeze in the inter-bank market, and then to ensure that the conditions are right for its recapitalisation, not in order to facilitate a return to the lending practices of the past decade—practices that the Prime Minister has rightly categorised as belonging to the age of irresponsibility—but simply to allow the restoration of the normal workings of the wheels of commerce, through the supply of overdrafts and loan facilities to businesses large and small, the extension of consumer credit to households wishing to finance the purchase of capital goods, and the resuscitation of new mortgage lending, which the latest figures show has almost completely ceased.

This is a national threat that requires a cross-party response. There will be time enough later to debate the causes and the failings of the past, and to identify the guilty and to hold them to account. The challenge now is to work together to support the tough decisions that may be necessary to preserve the banking system on which we all depend, and to protect the long-term interests of the taxpayer. We have made it clear that we will give the Government that support—not uncritically or unconditionally, but so that they know that any steps that are necessary to protect the integrity of our financial system will not be blocked or delayed by the kind of partisan posturing that we have seen in the United States Congress. That is our duty as a responsible Opposition.

Beyond the immediate financial markets crisis and the paralysis in our banking system, however, the UK economy faces other, longer-term challenges that leave it less well prepared than many of its competitors to deal with an economic downturn and likely to recover more slowly from that downturn. Those problems will remain to be addressed long after the financial crisis is resolved.

[Mr. Philip Hammond]

It is, and remains, our duty to hold this Government to account for leaving the nation so ill-prepared to face the challenges that the credit crunch has precipitated, and to deal with the weaknesses in our economy that it has so brutally exposed. It is our task to put forward an alternative framework that will ensure that future Governments do not repeat the mistakes of the past decade.

The supply side problems that this Government claim to have identified—the skills gap, the productivity gap, the infrastructure deficit, and the need for reform in public services and in our welfare state—all remain largely unaddressed, so that during a decade in which the world's economy has grown at an unprecedented rate, the UK has slid down all the league tables of international competitiveness. Over that period, our economy has become more unbalanced, losing more than 1 million manufacturing jobs and coming to depend on financial and business services for more than half our economic growth since 1997. That leaves us more vulnerable and less resilient than our better balanced competitors.

Mr. Brian H. Donohoe (Central Ayrshire) (Lab): Does the hon. Gentleman not remember that, under the previous Administration, unemployment in my constituency was virtually double what it is today? That was when the Tories were in power, not us. As a result of all that we have done in terms of jobs and the re-skilling of the work force in my constituency, the level of unemployment has reduced, and the level of employment has increased. Does he not understand that that is the reality of the life that we are living?

Mr. Hammond: The hon. Gentleman might want to hold on for a few months before he starts talking about the level of unemployment in his constituency. I remind him that the previous Conservative Government were clearing up the economic mess and chaos created by the previous Labour Government—a scenario that looks likely to repeat itself yet again.

Mr. Jim Devine (Livingston) (Lab): In 1992, 13 years after the Conservatives came to power, inflation was at 12 per cent., interest rates were at 15 per cent., unemployment was at 3 million, and record numbers of homes were being repossessed. Was that a good financial strategy?

Mr. Hammond: I remind the hon. Gentleman that in 1997 his party inherited an economy in which growth was rising strongly, unemployment was falling substantially and inflation was at less than half its current level. What have the Government done with that legacy? They have squandered it.

Mr. Oliver Heald (North-East Hertfordshire) (Con): Does my hon. Friend share my concern about the situation of pension scheme members? Obviously, pension schemes have been badly hit by the falls in the stock market, and someone purchasing an annuity is in a very difficult situation. Has not the Government's £5 billion-a-year raid on the pension funds been masked to an extent by the rises in the stock market over recent years? Are we not now paying the price?

Mr. Hammond: My hon. Friend is absolutely right. He draws attention to an important point, and I hope that the Chief Secretary is listening. Given what has happened in the stock markets over the past few weeks, people who are obliged to annuitise in the immediate future potentially face a lifetime of poverty or at least a substantially reduced expectation of income. Will she consider the challenge that that presents and see whether anything can be done immediately about it?

Mr. Mark Todd (South Derbyshire) (Lab): Will the hon. Gentleman give way?

Mr. Hammond: I will make a little progress first.

The greatest structural weakness in our economy, however, is the absence of effective fiscal discipline, which, along with the explosion of consumer debt and the asset price bubble, has been the root cause of the age of irresponsibility, of which the Prime Minister has spoken so eloquently. We have been living beyond our means, both as a nation and individually, and now the day of reckoning is coming. As we look to rebuild our economy on a stable, sustainable basis for the future, it is clear that Governments of all political persuasions will have to embrace the practice, not merely the rhetoric, of fiscal discipline.

Fiscal discipline was supposed to have been delivered by the Prime Minister's much-vaunted fiscal rules, but they have failed to protect us from this Government's fiscal irresponsibility. The Prime Minister said in 1998 that

"our fiscal rules have been specifically designed to preclude party political manipulation of the public finances for electoral purposes."

Tell that to the people of Crewe and Glasgow, East. Those rules failed to constrain fiscal policy during the years of growth, and that failure is directly responsible for Britain entering this period of economic turmoil with the largest fiscal deficit of any nation in the world except Egypt, Hungary and Pakistan. They did not stop this Government borrowing right the way through the top of a boom, at a time when many of our neighbours were running budget surpluses, paying off debt, and getting themselves leaner and fitter to confront whatever the future held for them—fixing their roofs while the sun shone. A third of OECD countries are now debt-free. At the end of an unprecedented period of world economic growth, however, the UK has net debt at a higher proportion of gross domestic product than in 1997—without taking account of the billions salted away through Enron-style accounting practices, off the balance sheet, out of sight and out of mind.

It was not that the incoming Labour Government did not recognise the issue in 1997, or that they denied the importance of fiscal discipline. Far from it—the then Chancellor placed his fiscal rules at the heart of his economic strategy, alongside Bank of England independence, as one of the key building blocks in his claimed commitment to fiscal and economic stability. However, like the debt-fuelled boom, the fiscal rules have turned out to be an illusion. They failed. They did not do what a set of fiscal rules had to do to be credible: they did not prevent borrowing at the peak of a boom. On that there is now widespread consensus.

The journey of the fiscal rules from robust central pillars to widely derided and discredited rhetorical devices has been long and painful. It has been like watching a

car crash in slow motion. It began in 2005, when the then Chancellor avoided breaching the golden rule by the skin of his teeth with an eleventh-hour announcement of a reassessment of the timing of the economic cycle. From that point on, reputable commentators and publications have progressively ceased to refer to the fiscal rules as a serious measure of Government performance on the public finances. By 2007, a *Financial Times* survey of independent economists found:

"Almost none use the Chancellor's fiscal rules any more as an indication of the health of the public finances".

The final nail in the coffin came in July this year, when the Government announced that the rules were "under review" specifically to create room for additional borrowing, tacitly admitting that these were good-time rules only. Now we simply await the formal burial of the body.

The comprehensive failure of the fiscal rules leaves Britain's public finances extremely vulnerable, at the mercy of a weak and divided Government operating without effective fiscal constraints, guided by political pressure rather than fiscal discipline. It was precisely the traditional practice of loosening fiscal policy at the first sign of political trouble that the fiscal rules were supposed to avoid. They were intended to be a constraint on Government, a discipline that would ensure that something was put aside in the good years so that Government would be able to support families and businesses when more difficult times arrived. Instead, once again we are watching a Labour Government running out of money and being singled out by the International Monetary Fund for fiscal irresponsibility.

Mr. Henry Bellingham (North-West Norfolk) (Con): My hon. Friend is explaining his case extremely cogently. He mentioned businesses. Does he agree that while the recent European package of £12 billion to help small businesses is welcome as far as it goes, the EU should be using this as an opportunity to reduce the amount of red tape and regulation being piled on small businesses and enterprise?

Mr. Hammond: I believe that the £12 billion had already been committed, and that its provision is merely being brought forward. We await with interest, as I am sure do thousands of small businesses across the country, details of how the money will get from the press conference in Paris into their bank accounts. If it is real money, it will be very welcome, but my hon. Friend is right: red tape is a real cost of business, and reducing the burden of red tape is as much of a boost to business as reducing the taxes that businesses must pay.

Mr. Brian Binley (Northampton, South) (Con): Will my hon. Friend give way?

Mr. Hammond: I will happily give way to my hon. Friend, who is an expert on this matter.

Mr. Binley: I think that my hon. Friend does me too much credit. Does he agree that, in truth, small business is in serious trouble, and that the Chancellor could do much more by attaching conditions to the support we are giving the banking sector—conditions such as treating small businesses fairly, ensuring that they are not lumbered with very heavy interest rates, and ensuring that the overdraft facilities on which many rely are not cut unnecessarily?

Mr. Hammond: My hon. Friend has drawn attention to a crucial part of the mechanism by which the financial markets crisis, the credit squeeze in the banking sector, is transmitting itself to the real economy. Up and down the country small businesses are having overdraft facilities withdrawn, and those that can still obtain them are being asked to pay interest rates at what might be described as extortionate levels. My hon. Friend the Member for Tatton (Mr. Osborne) referred to this week's announcement that one of the big high street banks is charging 15.8 per cent. to some of its small business customers. There are real problems in the small business sector, and we are beginning to see the fallout from the financial crisis directly affecting that sector.

Adam Price (Carmarthen, East and Dinefwr) (PC): In these difficult times, does the shadow Chief Secretary welcome the moves made by the enterprise Minister in the Scottish Government and the economy Minister in the Welsh Assembly Government to cut business rates so as to provide at least some breathing space for the vital small business sector, which in many of our communities is the backbone of our economy?

Mr. Hammond: Well, of course, at a time like this what Government should be doing is helping businesses and families under pressure. That brings us to the central point of this debate today: if the fiscal rules had not so comprehensively failed—if they had constrained Government policy so that we were putting something aside during the good years—then this Government would be able to intervene to help companies and families under the pressure they are feeling.

Tomorrow, the Chancellor will deliver his Mais lecture at the Cass business school. According to widespread reports, he will use the occasion to

"clear the way for sweeping aside the Government's self-imposed rules on public spending"

using the credit crunch for cover, tacitly admitting that the Government have broken their own fiscal rules, and burying with a whimper, away from this place, the system that the Prime Minister announced with such great fanfare here just a decade ago.

Mr. Charles Walker (Broxbourne) (Con): Does my hon. Friend think that while the Prime Minister is doing this he will accept and acknowledge that he was wrong to say that he had abolished the boom and bust cycle?

Mr. Hammond: I doubt that the Prime Minister will acknowledge that, but I suspect that he is deeply regretting those words, not only because they will come back to haunt him politically, but because the message that he sent out for years that he had abolished boom and bust and that, therefore, there never would be a rainy day—with no need to put something aside or for consumers to prepare for the worst; they had only to look for the best—has in fact led to the precise behaviour that he himself now describes as "the age of irresponsibility", and he must reflect long and hard on where the responsibility for that lies.

Several hon. Members *rose*—

Mr. Hammond: I shall give way shortly.

[Mr. Philip Hammond]

The abandonment of the centrepiece of the Government's economic policy, referred to by the Prime Minister in 2003 as

"the basis on which I think people have seen this Government as competent",

is undoubtedly a political humiliation for them, but it is also an opportunity for this country to put in place a more credible, sustainable and independent framework for fiscal discipline. Our purpose in calling this debate today is not merely to draw attention to the failure of the fiscal rules and the absence of fiscal discipline or to the contribution that that failure has made to the situation we are now in and the Government's lack of room for manoeuvre in responding to it. Our purpose is to look to the future and to put forward an alternative framework to try to ensure that we collectively never allow ourselves to do this again—to borrow through a boom, to spend money we have not got, to pile up debt we cannot afford and to mortgage our future and the future of our children with the borrowing today that will inevitably become the taxation of tomorrow.

Mr. Graham Stuart (Beverley and Holderness) (Con): Further to the comments of my hon. Friend the Member for Broxbourne (Mr. Walker), does my hon. Friend the shadow Chief Secretary believe that the Prime Minister's claim to have ended boom and bust contributed to the fact that people in this country cut their rate of saving at first in half and then just to a fraction of its level in 1997, leaving homes and families throughout this country in a much worse position to face the bust that is now coming at the end of the Brown boom?

Mr. Hammond: My hon. Friend is absolutely right. The message that went out was that low interest rate easy credit would be with us for ever, and that it was safe to borrow far larger multiples of income and to draw equity from one's house in a way that, with the benefit of hindsight, was incredibly imprudent and ill-advised, and the Prime Minister will have to bear the responsibility for that message.

Step one in developing an alternative framework to the discredited fiscal rules was to understand why the current fiscal rules so comprehensively failed to deliver, and step two was to analyse whether they could be fixed. The sustainable investment rule is the simpler of the two rules to deal with. It says that in every single year, net Government debt should remain below 40 per cent. of GDP. That is a rather unambitious target in the face of our rapidly ageing population and the Government's own long-term fiscal projections show that if we do nothing, public spending will rise simply because of the demographic profile. The target takes no account of the need to put money aside for the future, and it has simply been broken, with current net debt at 43.3 per cent. of GDP and set to rise, and, as important, the use of off-balance sheet financing to conceal billions of pounds of private finance initiative debt alone makes it meaningless. Worse, the Government's determination to avoid being seen to breach the rule for as long as possible has led to a hugely costly distortion in public procurement as more and more projects have been forced into PFI structures, not because risk is being genuinely transferred, but so that capital spending can be financed off-balance sheet.

The golden rule says that, over the cycle as a whole, borrowing should fund only capital expenditure, with current spending paid for from tax receipts. That is a perfectly sensible proposition, but it has not been delivered.

Mr. Todd: On a technical point, the hon. Gentleman refers to the definition of projects within PFI, but I think he recalls that the Office for National Statistics normally carries out the task of reviewing whether a project should be placed on-balance sheet or off-balance sheet. Is he questioning the judgment that has been exercised in that respect?

Mr. Hammond: The hon. Gentleman will recall that the Government committed to bring a large amount of this PFI liability back on-balance sheet from this year and then, apparently for technical reasons, pushed things back by a year. It will now be next year that some, at least, of this stuff comes back on to the balance sheet. When we examine these large numbers—these large percentages of GDP—it is important to remember that we are seeing only part of the picture; another bit of the picture remains off the balance sheet at the moment.

The golden rule has not been delivered on because, this Government have consistently overestimated since 2001, tax receipts and underestimated the deficit, because the Chancellor has been allowed to mark his own scorecard and, crucially, because measuring compliance with the rule depends on the precise dating of the economic cycle, and that can be known only after the event—sometimes long after the event. In other words, the rule is backward-looking, while any credible judgment of fiscal sustainability must be forward-looking.

Mervyn King has observed:

"If you change your view of what happened seven or eight years ago"—

that is to say, in the dating of the economic cycle—

"it doesn't change the underlying fiscal position".

Yet, such an approach may fundamentally change the apparent performance against the golden rule. So the golden rule is flawed not only in its implementation; it is flawed in principle. The Prime Minister's fiscal rules have failed the practicality test, because just as no sensible set of fiscal rules would suggest that Government borrowing and net public debt should not rise at a time of economic slowdown, so no sensible fiscal rule would allow us to arrive at such a time with borrowing bumping up close to the ceiling, leaving no room for counter-cyclical responses to the economic downturn and no room to help hard-pressed families and businesses, never mind for any additional measures that may be necessary to deal with the financial sector crisis.

We have a failed fiscal framework, and we urgently need a replacement for the discredited fiscal rules if we are not to see the broader macro-economic policy framework undermined and the battle to contain inflation compromised. The Governor of the Bank gave a warning to the Treasury Committee:

"The long-term risk...is that a fiscal framework that is not perceived by financial markets to be credible does put upward pressure on inflation expectations because it undermines the market's belief in the credibility of both the monetary and the fiscal frameworks."

The evidence of the failure of the fiscal rules is here for all to see. That empirical evidence is consistent with the emerging academic consensus against rules-based

systems on the basis of the empirical observation that, in practice, rules either tend to be too loose to be effective or so inflexible that Governments break them. While it might be possible in theory to design a rule that suggested the right response in all circumstances, such a rule would inevitably be too complex to operate in practice. So after careful consideration and consultation, our preference is for institutional reform to entrench fiscal stability. Last week, my hon. Friend the shadow Chancellor put forward our proposals for a new fiscal responsibility framework, as part of our plan for a strong economy.

The framework will be at the heart of our economic policy. Its starting point will be that Governments, like the rest of us, must live within their means, not only because economic stability requires it, but because intergenerational fairness requires it. That will ensure that collectively we never make the same mistakes again, and in future all British Governments will be forced to fix the roof while the sun is shining. They will have to acknowledge that Governments cannot abolish the economic cycle, whatever Chancellors might like to claim, and will be forced to put something aside for the rainy day that will periodically come around.

For anybody who has not studied the detailed proposals—I am sure that the Chief Secretary has done so—I will spell out what the next Conservative Government will do, in the event that this Government have not already adopted our policy. First, we will scrap the discredited fiscal rules, which are neither use nor ornament and, with the benefit of hindsight, never were.

Secondly, we will introduce a tough, new, forward-looking mandate for the public finances at the end of a forecast horizon, with falling debt as a percentage of GDP and a balanced current budget, after adjusting for the economic cycle. Thirdly, and crucially, for the first time in Britain we will create an independent body accountable to Parliament, the office of budget responsibility, to publish independent forecasts and to assess the performance of Government against the outcomes it has specified.

Bob Spink (Castle Point) (UKIP): Surely it is the job of Parliament to monitor and assess the Government's fiscal policies and performance? After all, Parliament has Select Committees and professional advisers to inform them. This solution is yet another quango of unelected, unaccountable people, and it is a bad policy. It is certainly not a Tory policy. Has the hon. Gentleman really thought this through?

Mr. Hammond: If the hon. Gentleman will forgive me, I will decide what is a Tory policy, not him. I reject his criticism, although he is right in one respect. Parliament has to hold the Executive to account, and the office for budget responsibility will give it the tools to do so. The OBR will be answerable to Parliament, delivering independent forecasts and an assessment of the Government's Budget proposals. I shall explain how it will work.

The OBR will be staffed by economists and tax experts, and it will focus exclusively on the medium and long-term sustainability of the public finances. At its inception, it will be tasked with a full independent audit of the nation's debt; a cleaning of the Augean stables; and a bringing back onto the balance sheet of all the dodgy accounting that this lot have hidden in nooks and crevices such as the private finance initiative, Network Rail and under-recognised depreciation on military equipment. That should appeal to a Prime Minister who I saw on the telly last night calling for more transparency—except that of course he was calling for it from someone else, not from his Government.

Let me explain, for the benefit of the hon. Member for Castle Point (Bob Spink), how the OBR will monitor the health of the public finances and hold Governments to account on an ongoing basis. First, the Chancellor will set the mandate for the public finances. This will remain his responsibility, just as the inflation target is set by him within the monetary policy framework. Then, every year, in advance of the Budget, the OBR will present its fiscal forecast, which will include a judgment of the sustainability of the public finances against the mandate it has been given. It will also include the OBR's best independent estimate of the true scale of all future Government liabilities. The judgment will state how much fiscal loosening or tightening the OBR thinks is needed by the end of the forecast horizon in order for its central forecast to meet the Chancellor's mandate. Crucially, however, the mix of any tightening or loosening between tax revenues and spending—a political decision—will be explicitly outside the OBR's remit. That will remain the responsibility of the Chancellor of the day, who will deliver in his Budget his judgment of the required net loosening or tightening of fiscal policy against the backdrop of that OBR-published report. If for any reason he or she does not agree with the OBR judgment, he or she must explain why to Parliament.

Finally, the decisions taken in the Budget would be taken into account in the OBR's next report and the OBR would comment on the likely medium and long-term fiscal consequences of any significant deviation from its recommendation.

Mr. Adrian Bailey (West Bromwich, West) (Lab/Co-op): The hon. Gentleman does not seem to have covered this question: who will appoint the members of the OBR?

Mr. Hammond: I can offer to send the hon. Gentleman a copy of our plan for a strong economy. Members of the OBR will be appointed by the Chancellor for a single term—*[Interruption.]* The Exchequer Secretary says, "Ticking his own box", but it will be like the Chancellor appointing the members of the Monetary Policy Committee. We will put in place a mechanism for scrutiny by the Select Committee on Treasury and by Parliament of appointments not only to the OBR but to the Monetary Policy Committee, enhancing and strengthening the independence of both institutions.

We need a fresh start, a proper recognition of the extent of the nation's liabilities, a clear plan for dealing with them and a mechanism for holding Governments to account for irresponsible borrowing. There will be no more marking by the Chancellor of his own exam papers and no more backward-looking targets that cannot be determined until years after decisions are made. Instead, there will be a system that delivers a constraint throughout the cycle based on the independent assessment of the office for budget responsibility, holding the Government publicly to account for their performance. That will call time on the repeated fantasy forecasts of jam tomorrow that we have seen in successive Budgets

[Mr. Philip Hammond]

from this Government, with hopelessly overestimated tax receipts justifying hopelessly unsustainable levels of spending.

Kelvin Hopkins (Luton, North) (Lab): Like the hon. Member for Castle Point (Bob Spink), I think that another quango is surely being set up. Is it not the case that holding the Government to account is a job for Parliament? Would the hon. Member for Runnymede and Weybridge (Mr. Hammond) not also agree that when the European Union tries to interfere in our economic strategy policies, we object to that, too? We already have the Institute for Fiscal Studies, the Audit Commission and the National Institute of Economic and Social Research; a number of bodies look at the way in which Government finances work and how they operate. Surely it is the job of Parliament, using all that information, to keep the Government held to account.

Mr. Hammond: The office of budget responsibility will give Parliament an official independent-of-Government report, a series of projections of the fiscal position and, crucially and unlike the Congressional Budget Office, policy recommendations that will allow Parliament to hold the Government to account. The next Conservative Government are committed to implementing that fiscal responsibility framework. The need is urgent and we would welcome it if the Government, who have already cherry-picked their way through our last year's conference announcements, adopted the key elements of this year's.

The changes that I have reiterated and that my hon. Friend the Member for Tatton set out last week would give the UK the most credible and responsible fiscal policy framework in the world. Alongside the independent Bank of England—with the enhanced responsibilities that we have proposed, now included in the banking reform Bill, and the additional powers that we propose to give it under our debt responsibility mechanism to respond to the threat of excessive debt being created in the system as a whole—the UK will have the strongest, most independent and most credible fiscal and economic stability framework of any nation in the world.

Mr. Todd: It is very kind of the hon. Gentleman to give way again. I simply want to remind him that his motion makes a brief reference to public sector pension schemes. Since he did not mention how that issue might be addressed, I should be very interested to hear what his approach would be.

Mr. Hammond: The point about public sector pension schemes is that they represent another large, unrecognised liability that currently sits off the balance sheet. We need transparency in our public finances. The people of this country need to know in a transparent way the scale of their obligations to public sector pensioners who have already accrued those rights.

The Prime Minister talks of the age of irresponsibility, and he is right. It was an age when the creation of credit was mistaken for the creation of wealth, when public sector spending was concealed off the balance sheet, and when future revenues were systematically overestimated to conceal the scale of deficits. The clear lesson of the credit-fuelled mirage of a boom and the reality of the bust that is following it is that there are no free lunches. Prosperity is built on hard work, not easy credit. We can rebuild Britain's economic future, but to do so we must rediscover, and then never again lose sight of, the fundamentals of a strong economy—sound money, fiscal discipline and living within our means. We must earn our keep rather than putting everything on the nation's credit card for our children and our children's children to pay. Just as our banks are rediscovering the hard way the value of traditional prudent banking practices, so the British Government have to rediscover the enduring truth that long-term prosperity is built on sustained fiscal and economic discipline, and not on the back of a debt-fuelled bubble.

So let us hope that we do not have to wait for a new Government for that to happen. Let us hope that a chastened Chancellor, having finally buried his discredited fiscal rules, will soon come to this House to announce a new fiscal framework based not on rules, but on a new independent institution similar to the OBR that we are proposing. Critically, that institution should have powers to make policy recommendations so that this Parliament can hold Government to account. It can grow in stature to develop the strength and credibility of the independent Bank of England and become, in time, one of the twin pillars of independent oversight that will deliver long-term stability and freedom from short-term political manipulation to the management of Britain's economy.

It is, of course, too late to fix the roof for the storm that is already blowing up around us, but we owe it to the country and to future generations to ensure that we live within our means and that the age of irresponsibility in Government is now buried for ever.

Bob Spink: On a point of order, Mr. Speaker. I understand from the House of Commons Library that the Department for Communities and Local Government has just announced that it will delay the English local government elections to coincide with the European elections on 4 June next year. I wonder whether we are going to have a statement from those on the Government Front Bench on this matter and whether we can have a debate on it.

Mr. Speaker: That is not a matter for me. I must deal with the business of the day.

My apologies to the hon. Member for Runnymede and Weybridge (Mr. Hammond), but has he finished moving the motion?

Mr. Hammond: I have, Mr. Speaker.

Mr. Speaker: Thank you. I call Yvette Cooper to move the amendment.

4.13 pm

The Chief Secretary to the Treasury (Yvette Cooper): Thank you, Mr. Speaker. I beg to move, To leave out from "House" to the end of the Question, and to add instead thereof:

"notes that the purpose of the fiscal framework is to smooth the path of the economy in the short term, to secure sustainable public finances in the medium term and to ensure that spending and taxation impact fairly between generations; recognises the success of the framework over the past decade, reversing historical under-investment in the infrastructure of public services, reducing

debt from 43 per cent. of GDP in 1997 to below 37 per cent. last year and allowing borrowing to increase this year in order to support the economy; welcomes the £4 billion of tax cuts helping families and businesses this year; further notes the turmoil in the world economy and financial markets; recognises that Government is rightly focused on the turbulence in the financial markets and helping families and businesses with the twin shocks of the credit crunch and high commodity prices; and welcomes the Government's commitment to take whatever steps are necessary to protect the stability of the financial system."

This is the first Opposition day debate since the House returned after the events of the summer. Given the wider economic events that we have seen, it is perhaps a surprise that the Opposition have chosen to focus on the fiscal rules rather than on the overall events in the world economy. The House will have a chance on Thursday to discuss more widely the events in the economy, and we have also had yesterday's statement from the Chancellor.

The fiscal position is of course affected by those major world events. The Chancellor's statement made it clear that we are continuing to see significant turbulence in the global financial markets, and there is also continuing pressure on financial institutions across the world. That pressure has been evident in Iceland today, and in other countries too.

We have already provided support across the system, such as through the special liquidity scheme and the actions of the Bank of England, and we have also taken action on individual banks that have got into trouble—for example, in the cases of Bradford & Bingley and Northern Rock. It was unfortunate that Conservative Members opposed and continue to oppose the action on Bradford & Bingley and Northern Rock. Had we not stepped in to support those two institutions and to take action, there would have been massive consequences for the financial stability of the British banking system and serious problems for the economy, for the public finances and, in particular, pressure for individual savers across the country. It was right that we should step in to support them.

As the Chancellor said yesterday, there has been considerable speculation about capital and the banking sector in recent days. In examining options for restoring stability to the banking sector, it is right that we look at every aspect—liquidity, capital and regulation—with other countries and, of course, with the financial sector itself. That process is continuing and we will update the House at the appropriate time.

Mr. Graham Stuart: Does the Chief Secretary now accept that liquidity rules were too loose in previous years, and that any changes made to those rules in future must ensure that they are not tightened at the wrong time?

Yvette Cooper: In fact, the action being taken by the Financial Services Authority is to look at the need for regulation on liquidity and not simply on solvency. Its report in the light of the events of last summer made that clear, and it is right that it should do so. We have needed to provide considerable additional liquidity support across the system. It is probably also right to say that there were not sufficient assessments of liquidity risks internationally and between countries, as well as of the work that has been done by the FSA. Members on both sides of the House will recognise that events in the world financial markets have the potential to make a significant impact on the world economy, not just for the next few months but in many ways for years to come.

In the circumstances, it is perhaps bizarre, and certainly irresponsible, for Opposition Members to try to pretend that the world economic events we are witnessing are simply a result of UK Government borrowing. In a recent interview, the shadow Chancellor said:

"The causes of the problem are not the financial markets."

The hon. Member for Runnymede and Weybridge (Mr. Hammond) has just told the House that lack of fiscal discipline is the root cause of the problems we face. That is economic illiteracy. Forget sub-prime lending in the US mortgage markets; forget the collapse of Lehman Brothers or the hugely complex bundling of toxic assets from the US; and forget the volatility in the money markets or the responsibility of international bankers. According to Opposition Members, the problem in the international markets is simply the level of UK Government borrowing and debt. I have to say that that view is utterly irresponsible and if Opposition Members do not understand the problem, they cannot be trusted to take the right decisions on how we deal with it and how we solve it to go forward.

Mr. Kenneth Clarke (Rushcliffe) (Con): If the right hon. Lady looks up the last three Budget debates, she will find that I always pointed out that the level of growth we were still enjoying was sustained by a bubble of Government and household debt, and that it was unsustainable. She will see that the reply of Ministers was to treat that with total disdain. Indeed, they claimed credit for the prosperity that was flowing from the boom, which was the product of their own remarkable economic policies. They denied the need to take action against such things as 140 per cent. lending on the value of houses or six times earnings when people certified their own earnings. They took credit for the boom, but they never saw the bust coming and circumstances in the UK are as bad as they are in the United States because of the Government's complacency.

Yvette Cooper: I have to point out to the hon. Gentleman—[Hon. Members: "Right hon."]—the right hon. Gentleman—[Hon. Members: "And learned".]—the right hon. learned and hugely fantastic Gentleman. I have to point out that in the 11 and a half years since he was Chancellor of the Exchequer, a lot of things have changed in Britain. In particular, our country was bottom of the G7 when it came to national income per head of population when he left office, but it is now the second in the G7 as a result of decisions that the Government took and the investment and economic stability that we experienced. We face significant world economic problems as a result of the dodgy lending that started in the US mortgage markets, the bundling of assets round the world and back again, and a lack of understanding of where risks lay, not just in the banking sector but among credit rating agencies and regulators.

Mr. Heald: Will the Minister give way?

Yvette Cooper: I am conscious of the fact that the debate is on fiscal rules, and I am trying to get on to the subject, but I give way to the hon. Gentleman.

Mr. Heald: The Chancellor yesterday told us that a number of building societies had unsustainable business models, and now had to be bailed out. Why was that allowed to happen? Why did not the Government, or a regulator in Britain, do anything about it? Why is the OECD saying that we have over-borrowed? Surely the Government have made some mistakes. Can the Minister not point to just one mistake that they have made?

Yvette Cooper: The hon. Gentleman misunderstands the issues to do with the economy, either deliberately or otherwise. He is confusing different kinds of borrowing and different kinds of debt. I understand that he has a political interest in doing so. He simply wants to muddy the waters and pretend that the private-sector credit crunch is somehow the result of public-sector debt. That is economic illiteracy, and it is simply not the case. The problem is not simply inexperience on the part of the Opposition. I do not think that their misjudgments in the cases of Northern Rock or Bradford & Bingley are simply the result of inexperience; opportunism and ideology are also involved. They want to claim that market problems are all the result of failure on the part of the Government, but that blinds them to the fact that sometimes we need Governments to step in to deal with the failure of markets, just as this Government did in the cases of Bradford & Bingley and Northern Rock. The hon. Gentleman's party repeatedly opposed our doing so, despite the serious risks that might have resulted for the financial system and the economy.

Mr. Bernard Jenkin (North Essex) (Con): The right hon. Lady said that the Government would take action at the appropriate time, but a growing number of people are beginning to ask, "When is the appropriate time?" Are we just waiting for events to take hold of the agenda, while asset prices carry on falling, because the banks remain incapable of resuming normal business? Is not the urgent priority to recapitalise the banks? That will not happen on its own. It will require some form of Government intervention. When is the appropriate time? When will the Government be in a position to make an announcement?

Yvette Cooper: As the Chancellor said yesterday, we are, and have been, looking at a wide range of options for support of the banking system, and we will continue to do so. We have rightly already taken action across the board with the special liquidity scheme, and are dealing with particular pressures that arise. When we think that further action is needed and further measures must be introduced, we will say so, but it is irresponsible for people to speculate on the pros and cons of particular measures. It is right that we should take measured judgments and do the right thing to support the markets, given the instability and turbulence that we have seen.

Kelvin Hopkins: My right hon. Friend is quite right to say that at times of great crisis, the Government should take a major role in the economy and in the financial sector. Does she agree that one great success has been the nationalisation of Northern Rock—so much so that people cannot make new deposits, as it has ceased to take them? People on television are saying, "I want to put my money into a publicly owned bank because it is secure." Would it not be wise to spread nationalisation across the whole banking sector?

Yvette Cooper: Certainly, when I was first appointed to the Treasury at the beginning of the year, I did not expect that the first parliamentary Act that I would take through the House would nationalise Northern Rock. I think that it was the right decision to take. It would have led to considerable financial instability if we had not taken it, and that would have jeopardised confidence right across the banking system. It was the right thing to do. Faced with the unprecedented events that we have seen right across the globe, Governments have had to be prepared to take unprecedented action. That is the right thing to do under the circumstances.

The debate is about the fiscal framework and I shall make a few points about that. Before 1997, there was no fiscal framework in place at all. Decisions were taken from Budget to Budget according to no clear and consistent approach. To the extent that principles were set to guide fiscal policy, they tended to change from one year to another. In 1992, the objective was a balanced Budget over the medium term. In 1993, the proposal was to move back towards balance over the medium term and borrow no more than net capital spend. In 1994, as the right hon. and learned Member for Rushcliffe (Mr. Clarke) will remember, the position changed again and there was no reference to borrowing. Such change from one year to another provided fiscal instability that was bad for the markets, as well as for the approach to the public finances.

In 1997, we introduced a new fiscal framework and legislated for the code for fiscal stability, based on the five principles of transparency, stability, responsibility, fairness and efficiency. Within it we set two fiscal rules to cover borrowing for investment and the level of debt. The consequence of that framework is that between 1997 and 2007, borrowing peaked at just 3.3 per cent. and ran at an average of only 1 per cent. Compare that to the previous 10 years, when borrowing peaked at 7.8 per cent. of GDP and averaged 3.1 per cent., and the 10 years before that, when borrowing peaked at 5.1 per cent. and averaged 3.6 per cent. Over the previous two economic cycles, average borrowing was more than three times as high as it was over the last economic cycle.

Mr. Philip Hammond: So if the fiscal rules are so effective, can the right hon. Lady confirm that they are not about to be junked?

Yvette Cooper: As I am due to say, we will set out the position on the fiscal framework at the pre-Budget report, as the my right hon. Friend the Chancellor has already said. It is worth recognising again the impact that the fiscal framework has had. The discipline imposed on the public finances by the framework has seen debt cut from 43.3 per cent. in 1996-97 to 36.6 per cent. in 2006-07. Debt in the UK is lower than in every country in the G7 bar Canada, so we are the second lowest in the G7 in terms of our public debt, and it is lower than the EU average as well. That is precisely why we can borrow more now, and why it is right to borrow more now in order to get our economy through the tougher times ahead.

Adam Price: I am not sure whether I suffer from the economic illiteracy to which the right hon. Lady so often refers, but perhaps she could help me out. As *The Times*

editorial pointed out yesterday, most independent commentators are predicting for the financial year beginning 2010 borrowing between £90 billion and £100 billion. Even the Institute for Fiscal Studies is quoting a figure of £60 billion, which is twice the figure that the Treasury is still maintaining. Surely the collapse in corporate tax receipts, which is an inevitable outcome of problems in the financial services sector, should be factored in, or is there something that I do not understand.

Yvette Cooper: The hon. Gentleman is right to say that the economy has an impact on the public finances, so, for example, the reduction in receipts from stamp duty or from the financial sector will, of course, have an impact on tax revenues this year. We will set out the next forecast for borrowing and for the public finances at the pre-Budget report. As he knows, we do so twice a year as part of the Budget and as part of the pre-Budget report. That is the normal practice for reporting to the House and for ensuring that we have appropriate forecasting and fiscal stability in place.

It is worth recognising, too, that the fiscal framework has protected public investment. Under the previous Government public investment reached a low of just 0.3 per cent. of GDP in 1988. As many of us know from our constituencies, that left a legacy of decaying public services and infrastructure. I remember that on one of my first visits to a primary school in my constituency, staff showed me where they put the buckets to catch the leaks from the Victorian roof, and I remember talking to the residents of one of the council estates in Pontefract, where they showed me the metal windows that rattled and the tiles that had blown off the roof—part of the £19 billion backlog of repairs and maintenance to Britain's council houses.

The Conservative party did not fix the school roofs, the council house roofs or the hospital roofs. Under this Government, investment has grown by more than three times the 1997 level to 2.2 per cent. of GDP this year, and that sustained investment has allowed us to invest in the council homes, new hospitals, schools and transport infrastructure that we badly need. That is not just about mending the roof in the sunshine; it is about being still up there mending the roofs through rain, wind and stormy weather as well.

Mr. Graham Stuart: Will the Chief Secretary tell the House whether borrowing today is lower or higher than the borrowing level that she inherited when the Government came to power in 1997?

Yvette Cooper: It is important that we should increase borrowing this year as a result of the need to support the economy in difficult times, and it is right to do that. Opposition Members who call for cuts in borrowing when the economy is under such pressure from international problems frankly misunderstand the nature of the economic pressures that we face and the serious problems that it would cause for the hon. Gentleman's constituents if we were to cut borrowing at such a time in the way that he seems to be advocating.

We have said clearly and repeatedly that the fiscal rules should be reviewed at the end of the economic cycle. Most commentators believe that the cycle ended in 2006, and we will provide detailed analysis of the fiscal position in the pre-Budget report. But as I have made clear, it is right to increase borrowing this year and next to respond to the economic shocks that we have faced. These are unparalleled in scope and scale because we have had the commodity price shock and the credit crunch at the same time. Who would have thought that the US Government would need to step in and end up backing half the mortgage assets in America through Fannie Mae and Freddie Mac. That alone is the equivalent to the national income of France and Italy put together.

Mr. William Cash (Stone) (Con): The Chief Secretary has just referred to debt and mentioned the figure for 2006-07 as being 36 per cent. In fact, on 30 September, the Office for National Statistics, which is now independent, issued its own assessment, and it says that the amount in question is a minimum of 43 per cent. and that if Northern Rock is included, which is about to be rerouted under new rules, at the end of 2007, it would be 46 per cent. Is not the right hon. Lady's estimate not out by something of the order of 10 per cent.?

Yvette Cooper: As I have made clear, it is right that we should take unprecedented action to support the financial stability of the economy. We have done so with Northern Rock, and the ONS has made it clear that it is right to look at public sector borrowing and public sector debt, including Northern Rock, but also separately from Northern Rock. All sensible economic commentators have done exactly the same. The position of a temporary nationalised bank, which will be returned to the private sector with the assets that it has to back that lending, is clearly very different from the kind of current expenditure that we deal with in public services on a day-to-day basis. If the hon. Gentleman is arguing that that should be treated differently, again, he misunderstands the economic consequences.

The hon. Member for Runnymede and Weybridge took some time to present to us what he said would be his alternative framework, and he claimed that it would be the most credible and responsible in the entire world. That is simply not true. The Opposition's proposals are far from clear. They have proposed an office for budget responsibility to apply a mandate. The trouble is that they have not been clear about what that mandate would be. It is not clear whether this is about a fixed end-of-forecast period or a rolling end-of-forecast period, and that makes a huge difference. It is not clear whether this means borrowing goes up or down or that debt goes up or down. The mandate that they have set out could mean any of those things. Either the office for budget responsibility will have an awful lot of power to decide what in practice fiscal policy should be, or it will be extremely confused. I suspect that the answer might be the latter, because it is hard to understand what Conservative Members are calling for. They have said that they want to share the proceeds of growth, but also that that means simply sticking to the Government's spending plans, which their leader has repeatedly called "very tough". They say that they want to rein in borrowing—they used the phrase repeatedly last week—yet at the same time they say that they want to cut taxes and increase spending.

If we consider the Conservatives' pronouncements of even the past seven days, we see that they have been arguing for a discretionary fiscal loosening to the tune

[Yvette Cooper]

of tens of billions of pounds, which would come in addition to the consequences of the current economic circumstances on the public finances. Only last week, the shadow Chancellor published a document that included tax cuts for millionaires' estates, which would cost £2 billion; ending the so-called couple penalty, which would cost £3 billion; measures on stamp duty that would cost £400 million; a council tax proposal, which would cost a further £1 billion; high-speed rail links, which would cost £1 billion a year; 4,000 extra health visitors; and 1,000 new academies. However, the number of identified ways in which the Tories would cut spending or cut borrowing was zero.

Within 24 hours of proposing an office of budget responsibility, the party of the hon. Member for Runnymede and Weybridge had spent, we reckon, an extra £200 million an hour in increased borrowing on top of what is happening at the moment. So much for budget responsibility. The Leader of the Opposition and the shadow Chancellor have been keen to tell us all about their undergraduate education in economics. However, even with that education they cannot see that their sums just do not add up. Such fiscal irresponsibility would be bad for the economy and the markets.

Kelvin Hopkins: I agree with the tenor of what my right hon. Friend is saying. If there comes a choice between a serious rise in unemployment and a rigid, formulaic approach to the fiscal stance, will she make sure that unemployment—and not the fiscal stance—are her priority?

Yvette Cooper: We are clear about the need to support jobs in the economy and it is important to do so. It is also important that we run sound public finances, and that is what we have done and will continue to do. That includes being able to increase borrowing this year, exactly because we have cut debt in the past 10 years as a result of the decisions that we have made. It is because we have one of the lowest levels of public sector debt in the G7 that we are able to increase borrowing this year, and that is the right thing to do to support the economy.

I say to Conservative Members that to cut borrowing this year and next, as the hon. Member for Runnymede and Weybridge seemed to suggest, would simply be irresponsible. While private sector borrowing is under such pressure, it is right that the public sector take some of the strain to support the economy through the difficult period.

Mr. Philip Hammond: I just want to nail that one. If the Minister checks *Hansard* tomorrow, she will see that I specifically said that no sensible set of fiscal rules would suggest reducing borrowing at this point of the cycle.

Yvette Cooper: The hon. Gentleman may wish to make that point to his party leader, who has continually called for borrowing to be reined in and reduced, at a time when it would irresponsible to do so. Perhaps Conservative Front Benchers should get their own house in order and their story straight about what they think about borrowing. They call for a reduction in borrowing, but at the same time they call for big increases in tax cuts and big increases in spending. It does not stack up. The hon. Gentleman may want to put forward a sensible position, but he ought to persuade the rest of his party's Front Benchers.

Sensible Governments across the world are increasing borrowing to support the economy this year; it is right, then, to bring borrowing down to ensure that public finances remain in a responsible and sound position. We are cutting tax by £4 billion to support the economy this year. We are freezing duty below inflation, increasing tax allowances and tax credits and providing the winter fuel allowance to pensioners. That also means fiscal discipline on public spending in the short and medium terms—being prepared to cut waste, improve efficiency and take tough decisions about priorities.

In the end, we have to take sensible, serious decisions about fiscal policy just as we need to take sensible and serious decisions about financial stability. That requires serious judgment and a recognition of the cause of the problems and of how we need to respond. The opportunism of Conservative Members, along with their inexperience and, ultimately, ideology and hostility to the role of Government at a time when it may well be critical to support the financial stability of the system, mean that they still do not have the judgment to get the issues right.

4.39 pm

Dr. Vincent Cable (Twickenham) (LD): The Conservative motion seems eminently sensible, and I am perfectly happy to support it, although the Conservative spokesman somewhat spoilt it with an unnecessary political rant. However, I was worried not by that—we always get that on an Opposition day—but by the dogmatic certainty with which he presented his alternative. Setting fiscal frameworks is very difficult, as experience all over the world teaches us. One can either have a very rigid structure such as the European Union's Maastricht rules, which are inflexible and pose all kinds of problems about how to enforce them, or a very loose structure that is more like the American model of politically driven fiscal policy, but with independent scrutiny. As I understand it, the Conservatives would like to move towards the American model. However, the problem with that system, as the Bush Administration have demonstrated, is that it can lead to extreme fiscal incontinence, with enormous deficits that make our Government look positively miserly. The structure does not fundamentally change the nature of the policy.

Mr. Philip Hammond: There is a crucial difference, which I thought that I had drawn out. The Congressional Budget Office is barred from making policy recommendations, whereas our office for budget responsibility would be charged with making such recommendations.

Dr. Cable: It is not making the recommendations but following them through that is the politically difficult bit. I accept that there is a slight difference between the Conservative proposal and the American system, but it is open to exactly the same objections.

The Government's problem with their fiscal framework is that it was not clear from the outset whether it was a set of rules or vague guidelines—it is gradually degenerating from the first to the second. The other problem—this is

where the Conservatives are right—is that there has never been a proper system of independent assessment. I have said on many occasions that if I could claim intellectual property royalties on soundbites, I would be very rich as a result of the flows coming from the Conservative Benches. I remember standing here five years ago and talking about the Government marking their own exam papers and the need for a fiscal Ofsted, which is what the Conservatives are now talking about.

As regards the precise structure that the Conservatives propose, I share the reservations expressed by the hon. Member for Castle Point (Bob Spink), who is no longer here, and by the hon. Member for Luton, North (Kelvin Hopkins) as to why it is necessary to set up a quango of this kind. The National Audit Office is the obvious body to carry out such independent scrutiny. It would perhaps need reinforcing with a few more technical staff, but it has the great advantage of independence and respect, and it connects Parliament with the process through the Public Accounts Committee. Surely, if we are to have a proper independent system of auditing fiscal policy while retaining democratic accountability, that is the way to do it. Although I entirely agree with the Conservatives that we need an independent structure, the quango approach would be completely the wrong way of achieving it.

Mr. Cash: I have listened to what the hon. Gentleman has said not only today but over a long period, and he often hits the nail on the head. He just referred to the inflexibility of the Maastricht system. As he knows, there are legal complexities and it does not work—for example, in the case of the stability and growth pact. Is the Liberal party now reviewing its commitment to the one-size-fits-all policy that comes from the European Union?

Dr. Cable: We have said on many occasions that the Maastricht approach needs to be developed. The system of imposing fines on countries that deviate from targets is clearly not practical in a world of sovereign states, and I would certainly not defend the system in its present form.

Kelvin Hopkins: There are reports that some of the southern European members of the eurozone will find it very hard to stay within it. Apparently, Italy is having to introduce a premium on interest on Government borrowing. Is it not the case that the eurozone is on the verge of break-up, let alone that we need to choose new rules that might work?

Dr. Cable: Since everybody is queuing up to have a go at the European Union, I must point out that despite all the predictions—including those of the two hon. Members who have just intervened—the eurozone still exists and has stayed together. Almost all the Governments involved have stayed pretty close to the 3 per cent. guideline, although there have been some breaches. This is not a debate about the European Union, however.

The question raised by the Opposition motion is whether the Government have observed their own fiscal rules—the golden rule and the rule on sustainable investment. On the first, we simply do not know, because we have not had an independent assessment of the cycle, so we are having a pointless debate about whether the test has been met. It seems likely that the test has not been met, because independent bodies such as the Institute for Fiscal Studies and the National Institute of Economic and Social Research have estimated that during the past five years the Government have been running a structural deficit of £5 billion to £10 billion. I think that that is what the hon. Member for Runnymede and Weybridge means when he talks about the roof not being mended. There has been a persistent and substantial—we are talking about 0.5 per cent. of GDP, which is not mega—structural deficit that has remained year after year without being corrected. Any system that does not acknowledge that failing, and that does not have a mechanism built in to acknowledge and correct it, is clearly not working well.

The second rule, on sustainable investment, will be broken, and the Government are clearly gearing themselves up to tell us that it will be broken. It is worth breaking down the reasons, because the sustainable investment rule is being broken for a mixture of good and bad reasons. One of the bad reasons is the cumulative effect of all the structural deficits. The amount of £5 billion to £10 billion a year over five years adds up to a substantial sum, which all adds to Government debt. That is not acceptable policy, but there are other respects in which public debt is increasing for understandable reasons. We want good public investment that earns a decent social return and ultimately repays the taxpayer. The purpose of having a public investment rule is not to choke off sensible public investment.

The most important reason why the rule has been broken relates to asset acquisitions. Two banks have been nationalised—Northern Rock and more recently the £30 billion for Bradford & Bingley. I am not sure how the £200 billion liquidity facility is accounted for in the public rules, but perhaps we will have an explanation of that. Later this week, if all the rumours in the press are correct, we will have a rescue plan for the banks involving recapitalisation that could involve £30 billion or £50 billion—who knows? On that point, the Conservatives would do well not to be too self-righteous because they—and we—have argued for that facility, which will add very substantially to Government public debt.

Asset transfers are, of course, completely different from cumulative structural deficits. They are a different economic animal, and they need to be presented quite separately. The fact that the investment rule is being broken on account of nationalisation is completely different in character from where it is being broken because of cumulative structural deficits over time. The two concepts need to be presented and analysed separately.

On where we go from here, I agree with quite a lot of what the hon. Member for Runnymede and Weybridge has said. I wish that he had not presented his argument in such a completely inflexible and rigid way, however. I think that he said that he disagreed with the golden rule, but he defined a hypothetical Conservative Government's objective as being the same as the golden rule, did he not? He referred to balancing the current Budget over the cycle. That is what the golden rule is, and the hon. Gentleman stated that that is what a Conservative Government would aim to do, and I am not quite sure what is different. The idea is clearly forward-looking, as it has to be, but the objective is the same—it is a sensible objective, but it is the same as the one that the current

[Dr. Cable]

Government aspire to. The matter will be extremely difficult, which is what worries me about the hon. Gentleman's rather dogmatic way of presenting it. It is all very well to use the phrase "forward-looking", but none of us can predict the future.

I remember arguing strongly that over-borrowing and debt in the private sector would lead to the sort of recession that we are now in. I seem to remember that Conservatives, as well as Ministers, scoffed at that analysis. We cannot predict the future—none of us can—so a forward-looking measure of the Budget is open to an enormous amount of uncertainty and risk for any future Government, just as it is for the present one. The approach is sensible, but let us not be over-confident that the rule can be met. There will be an enormous increase in the budget deficit this year, partly because of structural factors and partly for the entirely justified reason of the workings of the stabilisers—the fall in income tax, corporation tax and national insurance. That must be allowed to happen; indeed, it would be foolish to stop it happening.

The second element in forward-looking fiscal policy is the investment rule. Again, I am not sure how the Conservatives would deal with that. The Conservative spokesman is quite right that the investment rule is important for two reasons: first, because we have to protect future generations from over-borrowing; and, secondly, because the Government need to be careful about their borrowing due to the effect on bond markets and yields and the cost of capital in the long term, which is, of course, important. However, if the figure is not 40 per cent., what should it be? What are the criteria? The Chief Secretary has already said that if we take out the nationalisations, Britain's performance against the 40 per cent. rule is not bad, so what should we be arguing for?

My view—this is just an ad hoc response—is that a much more sensible solution than defining a figure would be to have complete transparency about what the public debt is, and then the markets can make up their mind about whether there is a sustainable level of debt. We do not need the Government or even an independent body to do that. If everything is out there—if the private finance initiative debt and pension liabilities are declared—the markets can form a judgment when the Government sell bonds about how sustainable the debt is. That is a more sensible way of going about things than being overly prescriptive.

We have seen in the past day or so what happens if the Government are too cavalier about public debt. One country seems literally to be going bust—the Icelandic Government may well be unable to place their paper overseas—and I gather from the news bulletins that we are seeing the interesting phenomenon of the Russians taking over rather like Lloyds taking over Halifax Bank of Scotland, which has all kinds of interesting implications. When we see a developed country going bust, we see the end product of extreme carelessness with fiscal policy. That has to be the ultimate brake on what Governments do.

Just to recap, the motion is perfectly sensible, and I have no hesitation in supporting it. However, I caution against the idea that there is a simple way of defining what fiscal policy should be. Clearly, we need balance over the current cycle and an open, transparent system of declaring Government debt, but beyond that I am not sure that there is a perfect model and do not think that the Conservatives have found it.

4.52 pm

Kelvin Hopkins (Luton, North) (Lab): I will not speak for very long. Much nonsense has been spoken about economics in recent times. Bretton Woods and the sensible framework of economic policy established after the second world war were abandoned in the early 1970s, since when we have suffered four major economic crises, the latest of which is set to be by far the worst.

What is happening now will surely sweep away the supposed golden rules and delicately constructed monetary and fiscal policy frameworks. Indeed, it will probably see the annihilation of the euro into the bargain. One small mercy is that Britain is not part of the eurozone and can at least decide its own interest rates and fiscal policy, and choose its own value for its currency, suited to our needs.

The Opposition have raised this debate about the Government's fiscal rules, yet they have been a collaborator in the neo-liberal nonsense that has led us into the current crisis. It became clear that unregulated financial markets and free market capitalism are inherently unstable and lead to mass unemployment, inequality and political crisis. It was the interventionist policies of Roosevelt in America, including a large programme of public works, that led to recovery from the depression.

Mr. Graham Stuart: I do not think that I have ever heard anyone in the Chamber suggest that there should be free markets without any regulation. Surely we are now seeing the consequences both of a failure of regulation and of the quality of regulation, rather than of any neo-liberal experiment. There has been a failure of Governments and regulators throughout the world to use prudential standards and ensure that they are enforced.

Kelvin Hopkins: The underlying philosophy of recent economic policy has been deregulation and free markets. Even though there has been some regulation, particularly of monetary policy, it has been nothing like the regulation that we have needed or that we saw after the second world war. Indeed, after the second world war, no one seriously suggested going back to the arrangements that precipitated the 1929 crash and the subsequent depression.

However, there was one potty ideologue who wanted to turn back history—Friedrich von Hayek. Like hypnotised joiners of a religious cult, our leaders followed Hayek and led us to today's nightmare—Milton Friedman, Keith Joseph, Nicholas Ridley and, of course, Margaret Thatcher. When history is written, the terms of today's motion and the amendment will surely inspire incredulity at their triviality in the face of the global crisis that is now unfolding.

I never believed that there was anything golden about the Government's borrowing rules. Picking a figure for Government debt as a proportion of GDP was always arbitrary. It could have been 50, 60 or 70 per cent., provided that Government revenues were sufficient to pay the interest. It was just like a mortgage: what one could borrow depended on one's income. At least, that was the case until the sub-prime catastrophe.

If the Government wish to help the less well off, they could simply collect more taxes from the very rich and substantially increase the basic state pension and child benefits, which I recommend. Successive Governments have resisted returning to anything like the tax rates that existed in the 1970s. Perhaps those rates were rather extreme, but if we were even to inch in that direction, it would be welcome.

The credit crunch, the crisis in bank borrowing and the coming recession have killed off neo-liberalism, and it is now time to accept that capitalism can be made to work at all only with heavy regulation, a substantial state sector and the use of all the levers of macro-economic policy on a continuing basis. That is my view, and I hope to elaborate on it in more detail in subsequent debates, but I wanted to get it on the record today.

4.56 pm

Sir Peter Viggers (Gosport) (Con): I have never risen to speak with more diffidence. This situation is extremely difficult, and I am anxious not to make it any worse. I went through the secondary banking crisis in the 1970s as a director of a merchant bank, and I am now on the Treasury Committee, having previously been a Parliamentary Private Secretary at the Treasury. Given that background, I want to make a contribution, and I hope that some of what I have to say is of some use or value.

First, we must look at the background. The present Prime Minister, as Chancellor of the Exchequer, got three things right in 1997: first, we did not join the euro; secondly, he created the Monetary Policy Committee; and, thirdly, he decided to follow for some years the spending plans of my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke), the previous Chancellor of the Exchequer. He also introduced the fiscal rules.

The first fiscal rule is the golden rule that, over the economic cycle, the Government will borrow only to invest and not to fund current spending. The second is the sustainable investment rule, which states that public sector debt must be kept at a stable and prudent level and that, in most circumstances, net debt should be maintained below 40 per cent. of gross domestic product over the economic cycle.

When I made my maiden speech in the House in the spring of 1974, I urged something even more extreme. I was a former director of an oil company with interests in the oil industry, and I proposed that the oil and gas reserves in the North sea were minerals and therefore a capital investment, and that any depletion of a capital investment should be made only if it were matched by spending. In other words, I argued that we should regard the oil and gas money not as revenue but as a depletion of capital. To that extent, I was even drier than the two fiscal rules introduced by the Chancellor of the Exchequer in 1997.

There were two bad judgments in 1997. The first was the creation of the tripartite arrangements between the Treasury, the Financial Services Authority and the Bank of England, which were insufficiently clear and allowed the banking crisis to come upon us without sufficient recognition by the FSA. The removal of the supervisory role from the Bank of England was, in my opinion, a mistake. Through the Treasury Committee, I have urged that we should try to distinguish between the regulation of banks, which is the responsibility of the FSA, and the supervision of banks, which in my opinion should be the responsibility of the Bank of England, because only the Bank of England has the necessary close, hands-on ability to deal with banking problems. We are talking about the movement of the Governor of the Bank of England's eyebrows, and the quiet persuasion that the Bank is capable of exercising.

The second bad decision taken in 1997 was the tax of a net £3 billion on pension funds imposed by the Chancellor of the Exchequer. Some of my colleagues call it a £5 billion impost, but in fact it was a £3 billion impost, and it was not the main cause of the problem in the pensions industry. In order, the causes were, first, increased longevity, which was not recognised by the actuarial profession, secondly, stock exchange weakness and, thirdly, the tax imposed by the Chancellor of the Exchequer. That led, however, to the closing of many final salary schemes, which in turn led to many people thinking that instead of saving through a pension, they could save through house values. They looked to house prices as a store of money, which, in due course, they could rely on to fund their standard of living in retirement. I am afraid that that will prove a very serious problem, because people in their 40s and 50s cannot begin to hope for the standard of living in retirement that many pensioners currently enjoy.

Those were the mistakes of 1997, but things really began to go wrong in 2000, when the Chancellor of the Exchequer gave up on prudence and loosened the spending taps. Spending was up, and much of it was financed through stealth taxes—the definition of which is that they are concealed from individuals, who are not meant to notice them—which have a distorting effect on the economy. The weakness that was building up was masked by an extraordinary world tailwind of prosperity caused by globalisation. The prosperity of the Asian tiger economies, followed by the so-called BRIC economies—Brazil, Russia, India and China—combined with the benefits of globalisation, led to the symptoms of our problems being masked, and we did not realise how bad the situation was becoming.

Even so, it became necessary for the Government to fudge the figures on the fiscal rules, which depend on the economic cycle. In July 2005, we were told that the cycle began in 1997, not 1999. In 2005, in the pre-Budget report, we were told that the cycle would end in 2008-09, not 2006. Later, in the 2006 pre-Budget report, we were told that the end date would be 2007, not 2008-09.

The fiscal rules are intended to take into account the difference between generations. In the 1999 Budget, I think, the Chancellor defined what that meant: the Government do not pass on the costs of services consumed today to the taxpayers of the future—each generation is expected to meet the current cost of the public services from which they benefit. That is a laudable intention, but it does not work, and it is distorted by two factors. First, private finance initiatives are not taken into account in expenditure, and expenditure is treated as coming from future revenue, not current capital. Secondly, public sector pensions are largely unfunded, and that huge liability is also regarded as a duty of future revenue streams. In addition, Northern Rock is not included in public debt, and personal household debt in this

[Sir Peter Viggers]

country is 177 per cent. of disposable income—the highest in the world—which shows that there are problems to come.

What do we do now? I am not an enthusiast for Government initiatives, but the situation surely needs a lead. My first principle is that this is no time for laissez-faire. My second principle is that initiatives must be on an international basis, so I welcome the international meetings taking place today. It is obvious that we cannot find our way out of this by ourselves, especially as the economy in this country is in a less good position to cope with the problems than those of many other countries. Therefore, we must have international co-operation.

My third principle derives from what happened with Lloyd's of London, which I think is the nearest analogue to the present situation. I was very much involved in the Lloyd's of London rescue—I was one of the four members of the Lloyd's audit committee. What we did then was draw a line between bad and good assets, and I think that, somehow or other, the same needs to be done now. That is why I am so opposed to the Paulson plan in the United States. Henry Paulson proposed a $700 billion fund to buy toxic assets at more than their market value, thus pumping money into the banking system. I think that that is completely wrong, because it goes against the principle of moral hazard and also leads to the impression that there is a rescue fund of $700 billion.

During the discussions on the Paulson plan, we heard many Congressmen say that they wanted some of the $700 billion for people in their constituencies. That is completely the wrong attitude. There is not a fund to be shared out; rather, there is pain to be shared. We must find ways of coming together and establishing how that pain can best be shared between those who can afford to share it and those who should bear it, because my next principle is that we must respect the importance of moral hazard—those who have taken the risk must bear a proportionately higher share of the pain.

My fifth principle is that, as we all know, borrowing short and lending long is sustainable only if there is confidence. That confidence must be restored, and I see no reason why it should not be restored. There is much that is good in the economy—we must bear in mind that even Hitler could not stop the daffodils growing. What we must do, having cauterised the toxic elements, is move on, restore confidence and work with the good elements in the economy.

Kelvin Hopkins: I agree with much of what the hon. Gentleman is saying. There are some good elements in the economy. Is not one of our problems the fact that we have allowed the manufacturing sector to decline and now have a gigantic balance-of-trade deficit in manufactures and goods in general? We must rebuild that sector of the economy, rather than relying wholly on the financial sector, as we have for so long.

Sir Peter Viggers: I am aware of that argument, but it is actually very difficult to distinguish between the manufacturing and service sides of industry. For instance, as a result of CAD/CAM—the integration of computer-aided design and computer-aided manufacturing—much of what was manufacturing has been taken over by people sitting at desks with computers.

I remember taking part in exactly those discussions in the Treasury when Nigel Lawson, then Chancellor of the Exchequer, did not want to know about the distinction between the manufacturing and service sides. The point was made most effectively at a CBI conference, when one of the delegates said "People talk all the time about the service sector—servicing what?" Manufacturing is, at root, the dynamo of the economy, but, given globalisation, the distinction matters less. If there are jobs that have value added greater than the manufacturing sector, it is logical that manufacturing should stay in the lower-paid parts of the economy. I do not think many people would suggest that we should try to repatriate heavy shipbuilding from Korea and China. The hon. Gentleman has made a good point; an allied point relates to our independence and our ability to remain independent without being sucked too much into global markets.

Kelvin Hopkins: I accept much of what the hon. Gentleman has said, but does he not agree that a strong comparison can be made with Germany, which has retained much of its manufacturing and a balance-of-trade surplus in manufactures, but whose economy is, in other respects, very similar to ours—it is of a similar size, for instance? Would it not have been better to go some way in the German direction and retain some of our manufacturing base, rather than letting all—or much—of it disappear?

Sir Peter Viggers: How do we retain our manufacturing base? Do we impose import duties to prevent the import of cheap products? We have been served exceptionally well by globalisation, and we have been served very well by the ability to import products from other countries that can manufacture them more cheaply than us. We have concentrated more on the financial sector than on manufacturing—and I think that the Germans would be deeply envious of our financial sector, which has also served us exceptionally well. This is part of a much broader discussion. The hon. Gentleman makes a good point, but I do not go very far along the road with him. I reiterate, however, that there is much of good in the economy.

My sixth point is a minor one, but it is significant in some circles. The Government must use their influence to ensure that the remuneration of anyone working within banking and other sectors is proportionate to their duties. They must use their influence to ensure that banks and other financial institutions set their remuneration at levels that do not affront other people, because there is a lot of anger out there among people who see that bankers have got them into this mess and now bankers are being rescued. Levels of remuneration should be set at tactful levels.

Mr. Graham Stuart: I am interested to hear my hon. Friend's arguments, but I do not know what he means when he refers to the Government trying to influence the City. Does he not fear that if they were to intervene in such a way that the highest earning bankers and financiers in the world did not see London as a suitable place in which to base themselves, the bankers and financiers would not cease to earn astronomic sums but would simply earn them elsewhere, with a great loss to the British Exchequer?

Sir Peter Viggers: Indeed, but bankers and others must realise that the levels of remuneration are causing offence in some areas, and they must be more tactful about the manner in which they handle their remuneration. That would be my solution.

My seventh point is a minor one, which is not to make things worse. That follows Denis Healey's rule on holes, "When you're in a hole, stop digging." Yesterday, the House in its wisdom passed on Second Reading the proposals on dormant accounts. Those proposals will actually result in banks' capitalisation being reduced, which is exactly the worst thing that we could possibly do at this particular moment. I hope that the Dormant Bank and Building Society Accounts Bill makes extremely slow progress, and if it should founder at some point, or be delayed indefinitely, that would cause me no distress.

My final point is that I heartily concur with the main thrust of the comments of my hon. Friend the Member for Runnymede and Weybridge (Mr. Hammond) from the Front Bench about the office for budget responsibility. The Chief Secretary sat down before I had a chance to do so, but I was going to ask her whether she had read the carefully researched and heavyweight report of the Treasury Committee entitled "Banking Reform", because the Treasury Committee, having taken detailed evidence over a long period and given this matter considerable thought, came to the conclusion that there should be a financial stability committee, which is very similar to the Conservative proposal.

I was going to ask the Chief Secretary whether she had read the report and concurred with the Treasury Committee's views on this point. However, the Financial Secretary has now rejoined us—he has recently rejoined the Treasury Front-Bench team, where he has served before with great distinction and a great knowledge of the subject. I would be most interested to hear from him the answer to the question that I was going to ask the Chief Secretary. Has he had a chance over the past few days to read the Treasury Committee's report, and does he agree with the conclusion that there should be a financial stability committee? If so, why does he agree with that idea and not with the ideas of the Conservative party?

5.13 pm

Mr. Mark Todd (South Derbyshire) (Lab): My age means that I reflect back on some of these subjects with perhaps more distance than the hon. Member for Runnymede and Weybridge (Mr. Hammond), who spoke for the Opposition. I am not sure whether he is in fact younger than me; perhaps he is, but his memory certainly seems shorter.

It is worth reflecting on the original purpose of the fiscal rules when they were drawn up in 1997. They, together with the step of providing independence to the Bank of England, were intended primarily to provide reassurance to the market of the discipline of an incoming Labour Government. That was then reinforced by a variety of actions. The right hon. and learned Member for Rushcliffe (Mr. Clarke) has departed, temporarily one hopes, but he will bear out the rigid adherence to the previous Government's spending plans—which he, I think, confessed he would never have attempted to adhere to himself. Thus, the first two years of this Government were a landmark of hairshirt discipline, which many Labour Members found uncomfortable to wear. That bears some relevance to the history lesson that the hon. Member for Runnymede and Weybridge gave us, because this Government started with a rigid adherence to both of the rules that we are supposedly discussing this afternoon and to the tight controls on Government spending imposed by an election pledge. That was in place for a purpose, which I believe most Labour Members bought: we needed to make clear our intentions to a wider community than just the Labour party, and I think our approach worked.

If a further message were needed about that stern discipline, it was sent in the decision to set aside the one-off benefit from the sale of mobile telephony licences to pay off a proportion of the national debt, instead of using that money—as undoubtedly the previous Government would have, given their approach to the disposal of national assets—to fund ongoing expenditure. Although the decision that that extraordinarily large sum should not be used to fund any current expenditure or infrastructure investment but instead be set aside purely to reduce ongoing debt obligations was again greeted with concern by some Labour Members, the message was clearly understood, both in this House and outside: this Government were serious in their endeavour to maintain tight control over spending and over the uses they made of any proceeds of assets sale.

That message was clearly understood by the markets at large. I do not want to be too partisan, and I shall address some of the unfortunate elements touched on in the hon. Gentleman's speech, but it is fair to say that the approach was also intended to be a counterpoint to the virginal approach to fiscal discipline of the previous Government. I mean "virginal" in the sense that such discipline was wholly absent, not that it was guarded with some determination. The previous Government's approach led to record borrowing in the early 1990s, which, to be fair to him, the right hon. and learned Member for Rushcliffe sought to address over his chancellorship—the Prime Minister continued the task in the early years of this Government.

That absence of a fiscal framework, or any framework that one could speak of with any authority, was of course mirrored in the previous Government's approach to monetary policy. I cannot remember the details because they change so frequently, but quite what measurement of monetary expansion we were supposed to be following at any time appeared to vary according to the whim of the Chancellor, Prime Minister or Prime Minister's adviser. The firm intent in 1997 was to set some of this experience behind us and to demonstrate a purpose and a clarity that had been wholly absent from the past.

However, one must then explain a subsequent period—somewhere between 2000 and 2005—when it is fair to say that there was a significant loosening of discipline. I am retiring from this House at the next election, so I can probably be fairer than others sometimes might be. I had to pop out of the Chamber towards the end of the contribution of the hon. Member for Twickenham (Dr. Cable), but I noted what he said about the structural deficit that emerged during that time, and I agree with him. I shall go on to explain why that happened, but the trend was clearly emerging during that period and was not addressed. There is no doubt that the failure to address it was partly a political choice. My right hon.

[Mr. Mark Todd]

Friend the Chief Secretary set out the priorities of the Government during that time, and I too had classrooms held up by pit props, infant children having to use outside toilets and other horrors of public provision that are, thank goodness, behind us—certainly in my constituency and, I imagine, virtually every other constituency. The imperative for change was evident, and I can well understand the pressure on the Government to deliver higher public spending, together with the public pledge that had been made to respond to relatively low levels of health service spending set against the European model.

I stand to be corrected, but it is my opinion that the difficulty that occurred in that period was more due to over-optimistic projection of revenue than to poor controls on public spending. The Treasury Committee has noted on several occasions that revenues, and especially tax streams, tended to be overestimated consistently, without anyone analysing properly why. I do not have an immediate explanation, although oil revenues tended to show huge variances. People said that they could be explained by this or that happening out in the North sea. I shall not venture into that territory, as I am ignorant about it, but one area that deserves further scrutiny is income from corporation tax. I suspect that this country faced increased competition in corporate taxation over a long period.

Both under the previous Conservative Government—to some extent—and certainly in the first years of the Labour Government, this country had significant advantages in the taxation of corporate bodies. We have not lost those advantages, but the balance has shifted over time and some of those subject to corporation taxation—depending on the business model adopted—suited other environments better. We have not studied carefully enough how that has happened and the effect that it has had on the underlying revenue streams on which we must rely.

That underlying deficit was perhaps made more acceptable by its occurring during a period of above-trend economic growth, but it was not acceptable to say that because the economy was growing strongly—as it certainly was at that time—we would just live with the unexplained deficit. In one of the many good reports it produces every year, the Treasury Committee gives tables that show the steadily changing forecasts for each revenue year over a long period, and the consistent trend is that the figures deteriorate. The reality does not come anywhere near the projection: it is almost uniformly worse. That should have rung alarm bells. It did so in the Committee, but perhaps we did not set the alarm bells ringing loudly enough. It is certainly true that the Government received regular reminders of the emerging picture of poor performance against projections in public sector discipline.

We have also had—this has been debated pretty extensively already—a situation in which the two published fiscal rules have been increasingly forced around the realities before us. I would not say that the rules have been bent, but we have certainly taken the evidence that is sitting in front of us and said, "Well, if you look at it this way, that way and then the other way it looks as if we are still just about there." To some extent, there was a desire to fool ourselves, rather than using what the fiscal rules provide, and I shall come back to the value of those rules.

The fiscal rules are more of a prompt for scrutiny of the underlying issues in the economy than anything else. I personally do not think a 0.5 per cent. variation in one of the rules makes any material difference in economic terms, and obsession with a precise 40 per cent. figure does not help us a great deal. However, the rules should prompt people to ask questions about what the trends are and in what direction we are travelling. I do not think that those questions were asked robustly enough during this period. The difficulty with this tweaking approach and of tying the rules to economic cycles is that one relies incredibly on data that are provided to us on economic performance.

The other consistent message I have seen throughout this period is that quite sharp changes in data are frequent—for example, changes in the projection of what happened in terms of economic growth are not at all uncommon through this period. Those are often changes not merely of the odd 0.1 per cent. but of quite material amounts. That is true in other areas of data related to the targets.

Let me turn to the picture presented by the Opposition, because I have possibly earned a few hits by being fairly candid about what I think some of the problems have been. I honestly cannot see the merit—I confined my interventions to two rather narrow technical issues, because I was not going to question the politics—of the "wise men" proposal as it has so far been set out by the Opposition. Without any idea of the mandate that those people will have, the approach is of little value. One of the other critical points is how the body will interface with the parliamentary systems of scrutiny and with the role of the Office for National Statistics, which, as I sought to remind the hon. Member for Runnymede and Weybridge, makes objective judgments about the placing of investments on or outside the balance sheet of our nation. There was little development of that idea from which one could hope to make a reasoned judgment about whether it would be a valuable initiative.

I am uncomfortable with the idea—even though I am leaving this place, and so by implication might agree with it—that the thrust of the proposal appeared to be that politicians are not of a great deal of value in the process and are not to be trusted, and that we should place economic policy very firmly in the hands of some supposed experts. If we will have to learn one thing from what has happened in the past six to nine months, it is that experts have their faults too. Forecasting the future is a pretty chancey activity and even understanding the present is pretty tough. I am an historian, and that is why I choose to look at the past. It is hard to see what those people would bring that well-informed and well-resourced support for a parliamentary system of scrutiny might not do better. I would encourage some thought in that direction.

Let me turn to some final points. One issue of difficulty has been the statistical base from which we have tried to shape our economic policy. The Government deserve huge support for the step that they have taken in that regard, and they should be encouraged to go further. They set up the independent Office for National Statistics, which has already started to cause a problem. That is

good and right, as we should have a robust debate about the statistics that we prepare. Arguably, as I have said, we have suffered relative poverty in that area, with some degree of complacency. We now need to resource that independent ONS better.

I noted, and was worried by, the concerns expressed by the Bank of England about the quality of the data used for its decisions about setting interest rates. I think that my honourable colleague on the Treasury Committee, the hon. Member for Gosport (Sir Peter Viggers), will also remember those concerns, and we should listen to them very closely. I do not question the professionalism of the ONS at all, but we need to make sure that judgments about economic policy are made on the basis of information that is as up to date, robust and well founded as we can make it. I think that that has not yet happened.

Another point is that I think that we probably need a mutually agreed target, although I am not sure that rules are appropriate. As I have said, rules really exist to make us ask questions about what has happened, and we should not obsess about our adherence to them. I should prefer a system that tackles the point raised by the hon. Member for Twickenham. I do not know whether he is right honourable, although he is very honourable. He said that when we spot an underlying budget deficit, we should have a degree of discipline to address it, and that that should be a political process.

It is not a technical issue, and we need to have a robust debate about why such a thing has happened. There are choices here: if I am right in saying that one of the problems behind the current difficulty was a drift in corporate tax revenues, we should debate how that should be addressed. That is a political judgment, and we as parliamentarians collectively should accept the result of that debate as a discipline for the future.

Stewart Hosie (Dundee, East) (SNP): How would that work? For example, we have seen PFI liability rise inexorably over the years to £190 billion for £60 billion of capital. We have seen the balance of trade deficit rise to £87 billion, and we have also seen a quarter to half a percent. suppression of GDP growth every year for eight years. Such matters have been highlighted and commented on by hon. Members in this House, but will he explain how we can do what he wants and consider them fully without indulging in the usual bun fight about how things are better than they were under the previous Administration?

Mr. Todd: The basic answer is that we need to act like grown-ups. Incidentally, the hon. Gentleman raises two points, to each of which I would give a different answer. I have a view about how trade deficits correct over time. We should debate in an adult way in this House an underlying budget deficit that lies relatively firmly under our control. I have no problem with the fact that there will be political disagreements about how we should tackle such a problem, but it is a subject that should at least be discussed properly so that we can attempt to agree our goal. It is not acceptable to run a budget deficit in a time of boom in the knowledge that it will not be corrected by any action taken in that time.

I was disappointed by the tone of the hon. Member for Runnymede and Weybridge. He started off the debate as a pretty familiar bun fight, and he took the opportunity to kick the Government around, but there are plenty of past errors to be shared around. There is certainly no saintly Conservative past on which we can reflect. There is plenty of hindsight to be shared around, too. Few of us spotted the terrible events that we face. We had inklings of some of the problems, but not their scale or the direction from which some of them have come, so it ill behoves the hon. Gentleman to have been apparently so arrogant and wise on these matters.

There is much more to be done in building consensus. By and large we have protected the independence of the Bank of England and the operation of the Monetary Policy Committee as an area of relative political consensus. There are some worrying signs—here I criticise the hon. Member for Twickenham, whose opinions I share on some matters—but generally speaking there is shared consensus on the merit of the decision taken and the discipline it has imposed. I wish we could extend that to more adult discussion of these matters, which is why I looked for more from the Opposition than I received this afternoon.

5.35 pm

Mr. William Cash (Stone) (Con): When we speak about financial discipline we are also talking about the confidence of the City and those who assess the relative market performance of a country. One of the things lying at the heart of the issue of confidence is whether proper financial disciplines are in operation in the financial affairs of a given country. I certainly take the view that the proposals of my hon. Friend the Member for Runnymede and Weybridge (Mr. Hammond) to achieve a financial stability framework are in principle a very good idea. In addition, I firmly endorse the fact that any such arrangements must hold the Executive to account.

When we are talking about sound money, however, we have to look at what has led us into our current situation. One of the features that intrigues me greatly, which was alluded to by the hon. Member for Twickenham (Dr. Cable) and which I followed up in an exchange with the Chief Secretary when she was in the Chamber, is the extent to which we are being sensible in relation to our indebtedness—general Government gross consolidated debt—and its relationship to gross domestic product. I referred to the Office for National Statistics figures released on 30 September and pointed out that the figure of 36 per cent. given by the Chief Secretary—I am happy to be corrected by the Financial Secretary if I am wrong—was in fact 42 per cent. at the end of March 2007, according to the independent analysis of the ONS. The ONS suggests in its report that in line with rules imposed on it from above—by which I mean EUROSTAT—Bank of England lending to Northern Rock should be re-routed through Government as from 9 October 2007:

> "If the loan were re-routed via government then the debt to GDP ratio would be 46.1 per cent. at end-2007."

That does not take into account any implications in respect of Bradford & Bingley, nor does it take into account what is in the pipeline.

One of the curious things that has not, as far as I can judge, been discussed at all in the debate is what is going on in Luxembourg at the moment between the Finance Ministers in ECOFIN and how they are addressing all these questions.

[Mr. William Cash]

The idea of a European bail-out of the banking system was pure grandstanding by the President of France, who is currently president of the Union. It was a nonsensical notion. There is absolutely no way in which the amount of money required could possibly be provided by the taxpayers of Europe. Some of the countries of Europe would be devastated by the idea that they should contribute to a bail-out for one country. That is why Germany took a position in relation to its own vital national interests. The same applies to Ireland.

I feel strongly that one of the reasons there are jitters, deep anxiety and a sense of disturbance in the economic markets in the City is that people there witness decisions being taken that have an impact on financial discipline in individual countries. We have seen what happened to Iceland. The real question for the countries concerned is whether the system within which they operate is sensible enough for anyone to have any confidence in it.

I shall not go into the issue of derivatives, financial instruments and the rest of it, although, in a sense, that is one of the causes of the problems that have accumulated, along with a lack of moral discipline among the people running the financial companies, as I said in a letter to *The Times* recently. The real problem is a lack of prudence and discipline, but that has not been generated over a very short period. In fact, it is implicit in what went wrong in the arrangements developed under the Maastricht treaty, a matter that was raised by the hon. Member for Twickenham.

I do not need to go into every detail of the reasons I took such a strong position against the Maastricht treaty, but we are still living with its consequences; when we measure financial discipline, using the Office for National Statistics paper on Government deficit and debt, we see that its headline is "Government deficit and debt under the Maastricht Treaty". That seems to have been overlooked.

I have not heard much comment today about the stability and growth pact. We really should examine how the mechanisms actually work, and the extent to which the City of London, or indeed economists internationally, can have confidence in the system used by any particular Government. Here, we are speaking of the United Kingdom, but we might also have regard to the eurozone and Europe as a whole. From the outset, it seemed to me that the stability and growth pact, rather like subsidiarity, was a con trick. It set out rules that were never going to work. When the European Union stability pact was proposed, the then Chancellor of the Exchequer wrote a letter, dated 22 November 1996, to all Members of Parliament—he obviously regarded the matter as important—setting out in detail why it was such a good idea.

The relevance of that point to the debate is that, through the whole of Europe, the question that is or ought to be on the radar screen is whether the Governments of Europe and the Government of the United Kingdom—which, because it is outside the eurozone, merely has to endeavour to comply with the rules of the stability and growth pact, whereas all the other countries are subject to the full panoply of rules—have been left dealing with funny money. There is no way that I can see for anybody to properly assess the true levels of borrowing of the member states.

I shall go through the figures, which are of some interest, though they are rather a mouthful. I shall be slightly selective as I cannot read them all out. There are eight member states with Government debt ratios higher than 60 per cent. of GDP in 2007. They include Italy, whose level currently runs at 104 per cent., and Greece, at 94.5 per cent.—and we saw what happened to Greece the other day. Belgium is running at 84.9 per cent., Hungary at 66 per cent., Germany at 65 per cent., France at 64 per cent., Portugal at 63 per cent. and Malta at 62 per cent.

Although I thought the Minister got her figures slightly wrong, according to the ONS figures, it is true to say that the United Kingdom is at only 46 per cent. I begin to get slightly nervous about the outpourings from Government sources or briefings off-side suggesting that we have room for manoeuvre to increase our level of deficit to meet some of the gravely excessive deficits of other countries. If we increased ours by 20 per cent., we would match the levels of deficit of Germany and France, but that would not be good policy and it would certainly not be in line with sensible financial discipline.

The reason why I am so concerned is that I believe that confidence in the entire system has been undermined by countries that have been running unbelievable deficits, particularly the United States. I do not have the figures at my disposal, but I know that they are unbelievably high. That is the problem.

Just as in the case of high street banking, the question arises whether individuals have over-borrowed and have been allowed or encouraged to borrow in excess of their income. In some cases borrowing has been up to 110 per cent. of income. In relation to confidence in the markets and to Governments and the European Union, a monumental amount of excessive debt has been accumulated which cannot be explained in terms of the intrinsic value of their currencies and the amount of money that they are generating by manufacturing products that are tangible and explicable. The question is whether we are effectively running on funny money.

I am worried that the enormous sums of money—again, this is a matter of financial discipline—that are being talked about will be funded only by sovereign wealth funds, over which we would have no control, or by printing money, which would make the position that much worse.

Mr. Austin Mitchell (Great Grimsby) (Lab): I was most interested in what the hon. Gentleman said about the historic borrowing levels, because it illustrates how the requirements for entering the euro were fiddled, particularly in favour of Italy. He is on weaker ground, however, when it comes to arguing that over-borrowing by Government is to blame for the present financial crisis. What is to blame for the present financial crisis is over-lending by banks and the financial sector.

Mr. Cash: I am not in any way disagreeing with the hon. Gentleman's last point, but the accumulated lack of confidence in how individual countries internationally are running their affairs has a great deal to do with the anxiety in the markets. If the Governments are to nationalise, they will simply increase their indebtedness by buying out those banks that have gone broke or are in severe danger, and that simply increases what I would see as the dangers of a lack of confidence in how

countries are running their affairs. There are dangers in both the over-borrowing by the countries concerned and in the over-lending by the banks. News items and commentaries now refer on a daily basis to billions, and that is now more or less regarded as the language that we are used to. Until a few months ago, we talked about millions. Now we talk about billions as if this is an enormous casino of the universe.

Kelvin Hopkins: I sympathise a great deal with the hon. Gentleman on European matters, but with regard to Britain, surely when banks are nationalised people become more confident about them than about the private banks, for good reason, and if Governments are taking counter-recessionary measures through additional spending or interest rates, that will make the economy stronger and raise confidence in the British economy relative to other economies in particular. Is it not sensible to nationalise banks and to borrow and spend where necessary?

Mr. Cash: I should put it on the record that I am not a great advocate of nationalisation. At present there is a severe crisis, but I am somewhat concerned that in all the BBC commentaries the argument tends to gravitate to the high street, banking and city element, all of which requires a great deal of intensive discussion, but not enough attention is given to the question of the way in which individual countries are running their own affairs. That is why I thought that the reference by my hon. Friend the Member for Runnymede and Weybridge to attempting to achieve a new financial stability framework is at least ensuring that we are moving in the right direction, even if one has some reservations about certain aspects.

I listened with interest to what the hon. Member for Twickenham said with regard to the NAO. The NAO, with all its expertise, must be given a specific role in relation to all this. The hon. Gentleman also referred to the inflexibility in how the Maastricht rules have been devised, and we still live with them. They were passed in 1993 and the stability and growth pact came along in 1996. That was an unmitigated disaster, and I said so at the time. A short time after the original proposals for the stability and growth pact were issued—the Chancellor of the Exchequer had written to all Members of Parliament to explain the matter because it was obviously important—I wrote to all Conservative Members saying:

"If the stability pact comes into force member states would be forced to restrict their levels of borrowing. This would impose a fiscal inflexibility which, combined with a loss of monetary control and exchange rates, would severely diminish member states room for manoeuvre."

That is where we are now. I went on:

"The options for a country in recession would be extremely limited. It is not in the interests of the economic stability of the Community for member states to be helpless in the face of recession. Neither is it in the interests of political stability, for there would certainly be public unrest if a government found itself unable to respond to its peoples' calls for economic action."

The UK has only the necessity to endeavour to subscribe to those rules, but the rest of Europe has to obey them. The plain fact is that they are not obeying them. There is no financial discipline. I have already given the levels of indebtedness and it is quite clear that the European Union is not working and that the rules that are supposed to be applied are not being applied. I happened also to point out in the letter that I thought that it was crazy to impose massive fines on countries that have got themselves into a situation of complete financial instability and have exceeded their budget deficit arrangements.

Kelvin Hopkins: I thank the hon. Gentleman for giving way yet again. Is it not the madness of the eurozone that countries such as Italy cannot change their interest rates—Trichet seems bent on keeping them too high—and they cannot devalue, so the only flexibility that they have is with spending? There are rules governing spending, but inevitably, if they want to avoid social unrest they will have to spend more money and run into debt, because the other two levers of macro-economic power are taken away from them.

Mr. Cash: The situation becomes more difficult, and that is what concerns me. The level of indebtedness is not just a question for the banks; this debate is about fiscal rules with respect to Britain and, by implication, the rest of Europe, because we are affected by what goes on out there. Because of the legal framework that has been created, that does not work. It is completely absurd that we are in the situation that we are in, and it has to be renegotiated. It is interesting that the member states in question, in an attempt to try to extract themselves from the impossibilities, have now gone off in a range of divergent ways precisely because they are completely different economies with different circumstances. The one-size-fits-all policy no more applies to the single currency than it does to the question of borrowing. It is completely absurd that we are in this situation. That puts an enormous amount of uncertainty into the markets and is having an impact on our own economic situation as well.

I agree that we need to have much more in the way of transparency—again, I agree with the hon. Member for Twickenham in that regard—but if there is to be transparency, one must be honest and straightforward, just as companies are supposed to be in the way in which they arrange their accounts. I cannot believe that the amount of money that appears to be hidden in relation to our economic affairs and in relation to how our accounts are presented can possibly leave off-balance sheet vast sums of money which when added in would change the picture as substantially as I believe they would. It is utterly irresponsible for us to conduct our affairs in such an imprudent manner, and I would strongly recommend that we engage in a policy of sound money, balance the books and have sensible accounting principles.

I quite understand that at present we have severe difficulties and we must try to make as good a job of this as we can for the time being, but more European rescue loan arrangements on the scale that Nicolas Sarkozy put forward in his grandstanding arrangements are entirely the wrong way to go. In my experience, the more Europe gets involved, as with the exchange rate mechanism and, as I have said, the stability and growth pact, and in relation to all these other matters where Europe will inevitably find itself, as it has always found itself, in suggesting more regulation and more of a European framework, the more the problems will multiply, so that when the reckoning comes there will be monumental implosion because it will have created a compression chamber with vast levels of debt that it cannot sustain because most of the manufacturing goes on in places such as China and not in our country or in Europe.

[Mr. Cash]

The net result is that we are running a policy of funny money—printing money, borrowing from abroad and engaging in an undisciplined process that is undermining confidence in the countries and therefore also in their democracies. Those decisions will not be sustainable indefinitely. The net result will be that people revolt against them, because they will produce high levels of unemployment and there will be no way of retrieving the situation. I urge my hon. Friends to look at not only an office of budget responsibility, but—and very carefully—at how we can guarantee as far as possible that our own economic affairs are run in a sensible manner and that we are not letting down the British people.

Whatever goes on in other countries, we have to look to this House of Parliament as the basis for the decisions taken on behalf of those who elect us. That is what worries me a bit about transferring responsibility to other people. As long as the responsibility remains in this House, I will remain happy. The idea of the monetary committee in relation to interest rates has worked, and it would be a good idea for us to apply a similar principle. However, above all else, we have to ensure that the buck stops here—and not only that; we should realise that we cannot buck the market. There has been far too much borrowing, and far too little to support it.

6.2 pm

John Howell (Henley) (Con): I want to return to the fiscal rules themselves. One of the basic lessons that I learned from business and helping to run a large public sector organisation was the need to ensure that there was a clear and honest framework with which to measure progress and success, and to which one could be held accountable while retaining flexibility in the means of delivering against it. What gave confidence to investors and regulators was not only that the framework and criteria were measurable and robust, but that the underlying assumptions were realistic, consistent and quantifiable and that the flexibility in delivery did not undermine the stability of the business or the ability to stick to the plans that had been drawn up. On that level, I have problems with the Government's fiscal rules, which, it seems to me, are the precise opposite of what I have described. There is a lack of flexibility over the layers of control and a series of rules the underlying basis of which allows for considerable discretion in determining how they are measured.

The Treasury talks of having introduced significant steps to strengthen the framework for fiscal policy based on strict rules, but the more we drill down, we see how less strict and more flexible the underlying assumptions behind those rules become. Rather than strengthening openness, transparency and accountability in fiscal policy as the code envisaged, the Government have built in large opportunities for each rule to be undermined. I should like to refer to four issues, some of which have already been referred to in this debate.

The first relates to the time frame in which the Government's rules are set. The fiscal rules adopt the time frame of an 'economic cycle. We know from the Treasury that a full economic cycle includes one period in which output is above potential and one in which it is below potential. However, given that economics is not an exact science, there is considerable scope for different interpretations. I would go further than the hon. Member for South Derbyshire (Mr. Todd) did, if I understood him correctly. Given that the definition of the economic cycle is so crucial to the Government's golden rule, it is hardly surprising that the rule itself becomes discredited if, during a cycle, the interpretation of it becomes influenced by political considerations. My hon. Friend the Member for Gosport (Sir Peter Viggers) and others have referred to the difference of opinion about the end date for the current cycle.

As I have said, economics is not an exact science, but the time frame needs to be put on a robust footing—we need at least to make sure that in the age of responsibility that is to follow, the ambiguities are taken out so that there is a clear indication that the Government will, after all, do the simple thing of defining what they are going to do and stick to it.

The second and third elements of the underlying assumptions that give me concern relate to the sustainable investment rule, which is stated as the relationship between the amount of net debt and GDP. If we cannot do anything about the amount of debt and are stuck with an accumulated mountain of debt—which many commentators believe will exceed the 40 per cent. barrier with or without the effects of the financial crisis—the only variable is the size of GDP. Here, too, we have seen considerable ambiguity: the revision of how the financial services sector was measured added £20 billion to the size of the economy, but caused great surprise because it was less than had been originally hoped for. Such ambiguity was not helpful.

However, if that is worrying, surely more worrying is the other side of the equation in respect of the definition of debt. We have seen that debt cannot today be measured by what goes on the balance sheet. We have had many references to the realms of accounting for private finance initiative liabilities and the valuations of the long-term service contract elements. However, it cannot any longer be in the interests of transparency to maintain significant amounts of liability off balance sheet and to allow significant ambiguity in valuation.

My last cause of concern is about investment, which is a central part of the golden rule: the Government will borrow only to invest and not to fund spending. I am aware that the economics and business definitions of "investment" can be slightly different, but even under the broader, economics definition, there is an expectation that money spent as an investment will generate some new or additional outcome or produce a result that will be used to give benefit in future.

When one looks at statements by Ministers on their spends, it is often difficult to determine what the investment element is. Actually, I have considerable sympathy with them on that, because the issue is complex. When looking at IT spend, for example, I have seen for myself that it is sometimes difficult to know whether software development should be characterised as investment or current spend. The only point that I would make on that is that under the regime imposed on local government, there is a much stricter and clearer definition of what is and is not capital.

We have two choices: first, we tighten the rules so that the investment criteria of any spend characterised as investment are richer. If the distinction has become irrelevant or there is a problem with transparency, or

accounting rules will not allow that, the current criteria clearly do not deserve to be at the centre of fiscal policy. We have ended up in the worst of all worlds: we have a system of fiscal rules that now constrict flexibility in how the economy can be managed, but are themselves so full of holes that they provide less credible help in the management of the economy.

Clearly, the fiscal rules were designed for an economy completely different from the one that we now face. Many of the benchmarks must have been seen at the time to be in no way stretch goals or stretch targets that should be kept to, and that must at least have contributed to the imprudence of the years in between. It is time that the rules were abandoned and that a new framework that sets a more rigorous prospectus for the public finances—with comprehensive definitions of measurement criteria that are less susceptible to political interference—was introduced.

6.9 pm

Mr. Austin Mitchell (Great Grimsby) (Lab): I am slightly surprised that this is an Opposition day debate, because I would not have thought that any sensible Opposition would want to create an opportunity to display their ignorance of basic economics in such a way. My right hon. Friend the Secretary to the Treasury—I mean Chief Secretary; it is difficult to keep up with her meteoric rise, on which I congratulate her—was right to attack the economic illiteracy that lies behind the Opposition's motion. I wondered whether the idea came from New Zealand's Fiscal Responsibility Act, in which they have been displaying considerable interest, but I concluded that it could not have done because that imposes duties on the Opposition in the shape of a requirement to say, if they propose an increase in expenditure, what they are going to cut or where the money is going to come from to sustain that increase. We could do with that in relation to our Opposition, who are proposing all sorts of things without telling us how they will be paid for or how they will be combined with the programme of cutting public spending and taxation.

The motion represents an attempt to shackle the Government by imposing inflexible rules on their borrowing. The hon. Member for Henley (John Howell) criticised some of our golden rules for borrowing. I have sympathy with him on that, because I never thought that they were anything more than a public relations exercise to show how respectable and responsible we are; they were not a serious framework of rules to abide by. The strength of the golden rule was that it was subject to interpretation in terms of when the cycle began, when it ended, and whether the money was going to investment or to spending. That is how rules have to be—politically flexible and subject to political interpretation. I went along with that because I did not regard it as a serious exercise but as just a PR exercise to show ourselves to be respectable and disinclined to borrow on a large scale.

The Conservatives propose a greater degree of inflexibility on Government borrowing, with hard and fast rules. That is unacceptable. The only rule for borrowing is that there is no rule. It is impossible to impose rules on borrowing. First, there is no basis in economic theory for doing so. The rules proposed today are based on classic neo-liberalism—on Friedmanite economics. That is totally unrealistic, because that theory is totally discredited. The world has moved on, but the Opposition have not. They have a responsibility for bringing themselves up to date on how economies function and whether there is an intellectual basis for the Friedmanite approach—in my view, there certainly is not.

The second argument against rules is that they do not change—they handcuff a Government when circumstances have changed. We are now in a situation where we need to borrow substantially in order to stimulate the economy. That is nothing but simple Keynesian economics. Borrowing must suit the circumstances of the time. In a recession or depression, it is necessary to borrow and to spend. We cannot therefore be shackled by the kind of rules that the Opposition, out of their intellectual ignorance of economics, want to impose on Government. I am sorry that they have been so slow to catch up with the current circumstances given that they announced at their conference that they want to co-operate and work with the Government. It is impossible to work together other than on the same intellectual basis. If the Opposition are going to insist on rules that are inflexible and cannot be operated in the present circumstances, there is little basis for co-operation. They have to bring themselves up to date and modify their thinking by looking at the actual state of the economy and what the solutions are.

Adam Price: I entirely agree with the hon. Gentleman's trenchant critique of the Opposition's analysis. However, is not part of the problem, and the reason we have got to this stage, the fact that the spectre of neo-liberalism has been haunting not only the Conservative Benches but the Labour Benches?

Mr. Mitchell: The hon. Gentleman has a point. It is certainly true that we have been too insistent on markets, which is worrying, but there is no possibility of maintaining that approach in the circumstances that we are now trying to deal with. We are grappling with an entirely unprecedented situation that is completely different from the one that has prevailed over the past 11 years. The good years are over. In that situation, neo-liberalism must be completely relegated because it is a shackle on how Governments approach a crisis. It has certainly been junked big style in America by the first socialist President, who is going round nationalising everything in a way that surprises me but probably surprises Republican supporters even more. However, that is a diversion. My point was that rules fixed for one set of circumstances cannot work in another, and circumstances have changed drastically.

The third problem with such rules is that Government will always evade them. There will always be fiddles. Just as the banks have been fiddling their reserve requirements by off-balance sheet transactions on a considerable and very damaging scale that has brought them into jeopardy, so the Government have been fiddling their golden rules by off-balance sheet accounting through the private finance initiative.

David Taylor (North-West Leicestershire) (Lab/Co-op): Will my hon. Friend give way?

Mr. Mitchell: I should not have mentioned PFI—I might have known that it would bring my hon. Friend into the debate.

David Taylor: I am reluctant to interfere with my hon. Friend's comprehensive demolition of this miasmic mess of a motion, but he mentioned PFI. Is it not rather nauseating and perverse of the Conservatives to draw attention to PFI, which was bequeathed to us as the result of a love affair between John Major and the private sector and which our first Chancellor picked out of his waste paper basket and made work in an odd sort of way, the cost of which we will grapple with over the next 25 or 30 years? How can they criticise that?

Mr. Mitchell: I am most grateful to my hon. Friend for his criticism of PFI. I agree. PFI was a way of moving things off balance sheet so that Government borrowing figures were not affected. It was a more expensive way of doing things and, as he says, we will pay for the consequences over the next 20 years. Certain health authorities, in particular, have been shackled by it. In its favour, it got the hospitals and schools built and open, but more expensively than would have been the case had it been done through public borrowing at a lower rate of interest. That is an example of my point—if we have rules, they get fiddled by private banks and institutions and by Governments. PFI is like the tax farms in the ancien régime—it results in selling off chunks of Government revenue, which is a dangerous thing to do. However, I will go no further down that road in case I excite my hon. Friend even more.

The proposal on rules is worrying because, as I said, the only rule is that there are no rules. That point has something in common with Bank of England independence. We imposed a rule that it was to manage inflation only, which tied us to something like a one-club approach to golfing, and we are now in a different situation where we need the flexibility that the Fed has in the USA. It has a requirement to maximise employment. We should have that, too. I am glad that the Liberal Democrats have caught up with the proposal that I put to the Treasury Committee during last year's review of 10 years of the performance of Bank of England independence, which was that the rubric should be widened. They always get there in the end, and I hope that they read more of my ideas on my website. We should reduce interest rates to the American level, and the 2 per cent. rule—the rubric—is a shackle on the Government. We cannot have a recovery unless we get interest rates down to American levels. In Japan, a failure to reduce interest rates at the onset of depression in the early 1990s meant that it languished for a whole decade in recession. I shall not continue with that line of argument, but it is an indication of the danger of rules.

The present need is not only to reduce interest rates, but to borrow and spend to stimulate the economy. The rules in question would shackle us in that regard. The only economics on which I would base rules is Keynesian economics. If the Government do not borrow, the private sector and private individuals have to borrow more. Government borrowing is necessary now to stimulate the economy to return us to a pattern of growth. That is the only way forward, and it makes the Opposition's motion even more ridiculous.

6.21 pm

Mr. David Gauke (South-West Hertfordshire) (Con): It is a pleasure to make the winding-up speech for the Opposition in this debate. I begin by welcoming the Financial Secretary on his return to the Treasury; this is the second day running where I have had the opportunity to welcome a new Treasury Minister. I think that this is the right hon. Gentleman's fourth spell as a Treasury Minister. I do not know whether that is some sort of record, or what precisely he has done to deserve constantly being put back into the Treasury, but we welcome him. I know that he is well regarded by Members throughout the House. I would like to mention briefly his predecessor, the right hon. Member for Liverpool, Wavertree (Jane Kennedy) who has moved on to the Department for Environment, Food and Rural Affairs. She distinguished herself in the role of Financial Secretary.

We have had an interesting and wide-ranging debate. The hon. Member for Luton, North (Kelvin Hopkins) started the Back-Bench contributions, declaiming the end of neo-liberalism. If anything, he was being slightly restrained; I think that he wanted to go further and declaim the end of capitalism.

Kelvin Hopkins: That's next.

Mr. Gauke: The hon. Gentleman says that that is next—perhaps it is an ambition for him to achieve. I know people who share his views have been declaiming the end of capitalism for some time. Perhaps their time will come, but I doubt it. He also called for the return of 1970s levels of personal taxation, which does not have support in my party.

Kelvin Hopkins: I said that we ought to move in that direction, not return to the levels where, as Denis Healey said, the pips squeaked. That would be too hard.

Mr. Gauke: I take the hon. Gentleman's point and stand corrected. I assume, therefore, that 98 per cent. rates are merely a long-term aspiration, not an immediate objective.

On looking back to the 1970s, my hon. Friend the Member for Gosport (Sir Peter Viggers) gave us an historical perspective, going back to the 1970s and the benefit of his experience in the commercial world, as well as his long-standing membership of this House. In a wide-ranging speech, he addressed a number of the substantial concerns as we address financial matters.

The hon. Member for South Derbyshire (Mr. Todd) said that he could make a candid speech because he is leaving this House. As he is leaving the House, I can be candid about him: he made a characteristically thoughtful and balanced speech that raised a number of important points. I do not agree with everything that he said, but he looked back on the early years of this Labour Government, and the fiscal conservatism that existed then, with a fair degree of nostalgia. He was also open about the fiscal loosening that followed those early years. He raised an important point about corporation tax, which we are not concentrating on in this debate, and he raised fair questions about our proposal, which I hope to address during the debate.

My hon. Friend the Member for Stone (Mr. Cash) highlighted the need for sound money and the high level of debt in many eurozone countries, and the instability that may follow from that. He also highlighted dangers with the stability and growth pact. He raised concerns

that he has consistently raised in this House and outside for some years, and I expect that he will continue to do so.

My hon. Friend the Member for Henley (John Howell) made a thoughtful and intelligent speech in which he outlined, from his extensive business experience, the need for a clear and honest framework, and he called for more rigour in our fiscal rules.

The hon. Member for Great Grimsby (Mr. Mitchell) made a lively speech. I disagree with his premise—he is a long-standing advocate of Keynesian economics, and argues that as far as borrowing is concerned, the only rule should be that there are no rules. When he made the observation that he more or less went along with the Government's fiscal rules because they were "just a PR exercise", he hit the nail on the head, however.

The hon. Gentleman also said that the rules will always be fiddled, which raises an important point that I hope to address in my later remarks. He questioned whether our plans were based on what occurred in New Zealand. Our precise proposals are not used anywhere—they are new—but within the document that we produced setting out the plans, we referred to the experience of Belgium, Denmark, Germany, Austria, the Netherlands, Sweden and the US. If we were remiss in not including New Zealand, perhaps we should look at the document again, but to clarify, our plans are not based on what is happening there.

I would like to continue on a bipartisan note, and given the remarks of the hon. Member for Great Grimsby, I should say that by "bipartisan" I mean something on which my party and Government Front Benchers agree. It is vital that public finances are sustainable over the long term. There is a need for caution and prudence—at least that is the professed position of Government Front Benchers. When the then Chancellor of the Exchequer addressed the House in his first Budget speech in 1997, he said:

> "Public finances must be sustainable over the long term. If they are not then it is the poor, the elderly, and those on fixed incomes who depend on public services that will suffer most."—[*Official Report*, 2 July 1997; Vol. 297, c. 304.]

The second point on which we agree with the position set out by the then Chancellor in 1997 is that there is a need for external discipline in order to reassure the public, the markets and Parliament itself that public finances will be run in a prudent manner. We agree that public finances must be sustainable in the long term and that an external discipline is needed to ensure prudent management. However—this is where the consensual tone ends—it is now clear that the Government have achieved neither an effective external discipline nor sustainable public finances.

The then Chancellor's response to the need for sustainable public finances were his fiscal rules: the golden rule, which states that over the economic cycle the Government will borrow only to invest and that current spending will be met from taxation, and the sustainable investment rule, which states that public debt will be held at 40 per cent. of GDP. He put those rules at the very heart of his economic policy. He said that they were the

> "basis on which…people have seen this Government as competent"—

words that are only too true.

The issue is not only for academics. Fiscal sustainability matters to us all—to mortgage holders, who may face higher interest rates, to pensioners and others on fixed incomes fearful of higher inflation and to future generations, who will have to pay tax for what we borrow today. As Mervyn King, the Governor of the Bank of England, told the Treasury Committee last month:

> "The long-term risk is a fiscal framework that is not perceived by financial markets to be credible",

which puts up

> "pressure on inflation expectations because it undermines the market's belief in the credibility of both the monetary and the fiscal framework".

He continued:

> "And that will make our life more difficult if inflation expectations were to remain higher than we would wish".

What of the then Chancellor's proposals? In 1997, he described the rules as providing a new discipline, openness and accountability. However, if they provide a new discipline, why do we have the highest borrowing figures for any major economy apart from Hungary, Egypt and Pakistan? If the rules provide financial discipline, why, according to the Institute for Fiscal Studies, have 19 out of 21 comparable industrial country Governments done more than the UK Government to improve their structural budget balances, and why have 16 of them done more to reduce their debt burdens? What sort of financial discipline is it that allows consistent borrowing in good years, leaving us nothing spare in the bad years? The International Monetary Fund, the European Commission, the OECD and just about every independent commentator advised the Government that their fiscal policy was reckless, and yet the fiscal rules did nothing to prevent that from happening.

Have the rules provided more openness and accountability? The Government's assessment of their fiscal rules has been characterised by a litany of self-serving definitional changes, which invariably assist them in meeting their own rules. Dates of economic cycles have been altered and public sector contracts have been pushed off balance sheet.

David Taylor: Does the hon. Gentleman agree that sustainable fiscal rules include sustainable taxation? Is he surprised to learn that in the 11 and a half years between May 1979 and November 1990 when the now Lady Thatcher was Prime Minister, the proportion of GDP to taxation was five full percentage points above the level that the current Prime Minister achieved in his 10 years as Chancellor? Surely the current Prime Minister's actions were more sustainable than those of the Lady, whom the hon. Gentleman no doubt admires.

Mr. Gauke: I am well aware that taxes initially increased under Lady Thatcher's Government. However, the Conservative Government at that time were reducing debt and borrowing at a faster rate than in the first 10 years of this Government. If the hon. Gentleman is making an argument for fiscal conservatism, I fully endorse it. However, the problem is that the Government increased taxes at a time when the economy was growing. Margaret Thatcher was able to get the public finances in a good position and then reduce taxes through the 1980s.

Kelvin Hopkins: I am sure that the hon. Gentleman will remember that Mrs. Thatcher's first act in Geoffrey Howe's first Budget was to switch the burden of taxation from income tax, which is progressive and fair, to indirect taxes by substantially raising VAT. That was a direct shift of income from the poor to the rich.

Mr. Gauke: At the time, that reduced direct taxes, because we had 98 per cent. tax on unearned income and a standard high-rate income tax of 80 per cent. It was vital to get incentives back into the British economy. It was only by returning incentives to this country that we saw the economic growth from which we have benefited ever since.

To return to the fiscal rules, so fiddled have they been, to use the word that the hon. Member for Great Grimsby used, that the IFS has said that they

"are now regarded by most informed observers with scepticism at best and cynicism at worst".

I challenge the Minister to name a single reputable commentator who now believes that the rules are taken seriously or, indeed, anyone who has taken them seriously for the past three years. Even the credibility of the Treasury's fiscal forecasts has been badly tarnished. For seven consecutive years, the Treasury has made over-optimistic Budget forecasts, underestimating the size of the Government's deficit and overestimating how quickly it would shrink, as the hon. Member for South Derbyshire has pointed out.

A balanced Budget was always round the corner. In 2003, the Budget would be back in balance by 2005. In 2004, that date was 2007; in 2006, it was 2008; in 2007, it was 2009; and in 2008, it was 2011. I predict that in 2009 the date of the balanced Budget will be moved on again from 2011. However, at least then the Government will have the defence that there is an economic slow-down. The previous years were the good years. If the rules allowed the date to be moved in the good years, there is something flawed in the rules. As Robert Chote of the IFS has put it, given that record of forecasting, the Treasury has engaged in a

"sustained display of conviction forecasting".

We must do better. It is time for a new approach that is not based on subjective dating of the economic cycle. As the Treasury Committee has consistently said, we must be forward looking, with a Government who concentrate on bringing down debt rather than evading their own rules. We will introduce an office of budget responsibility. It will assess independently the sustainability of the Government's finances. It will no longer allow a Chancellor to profess prudence on the one hand, but to borrow recklessly on the other. It will give Parliament the opportunity to hold the Government to account.

Our proposal has been criticised on the grounds that such an office would be a quango and would diminish the role of Parliament. That point was made by the hon. Member for South Derbyshire. He will know that, as a former member, I have a great deal of respect for the Treasury Committee. However, I see our proposal as a way of improving accountability. Let me give one example. In March 2006, I was a member of the Committee and wished to question the then Chancellor about the change in date of the economic cycle for the purposes of the golden rule—I am sure that the hon. Gentleman recalls that occasion. I asked whether the golden rule would have been met but for the change in date. The then Chancellor consistently refused to answer. Indeed, he provided a host of technical arguments that were difficult for the Committee to engage with.

Let us imagine circumstances in which forecasts and assessments were produced by a body as part of the Red Book. That body would therefore be independent, so we would not face the problem of conviction forecasting. It is not for us to determine how a Select Committee decides to take its evidence, but members of the office of budget responsibility would be able to give evidence to the Treasury Committee as part of an inquiry by that Committee. The Treasury Committee would potentially have an important role in appointments to that body, reviewing appointments and taking evidence from potential members.

Mr. Graham Stuart: To pick up on the issue of ensuring the office's independence, I wonder whether Conservative Front Benchers will consider giving the Treasury Committee the right of veto over appointments to the office.

Mr. Gauke: I am grateful to my hon. Friend for that. There will certainly be confirmatory hearings. The precise powers are something that we can look into, but he has raised an important point.

Mr. Cash: Does my hon. Friend agree that in the formulation of such ideas it is important to bear in mind the role of the National Audit Office—and therefore to try to integrate the thinking with it, to ensure a degree of responsibility and transparency—and the role of the Public Accounts Committee, which has not been mentioned so far? If evidence were given to the Treasury Committee, that would be a powerful reason for giving evidence to the Public Accounts Committee, too, and for subjecting such a body to cross-examination.

Mr. Gauke: I am grateful to my hon. Friend, because he has brought me on to a point that I was going to make. The hon. Member for Twickenham (Dr. Cable) also touched on the Public Accounts Committee and the National Audit Office. Our view is that the National Audit Office does not have the expertise on fiscal matters. It provides a sterling service in scrutinising Government expenditure, but it is not a specialist body, and we are talking about a specialist task. We therefore think that a separate body would be better placed to perform that task. Given that, my view is that the Treasury Committee is in a better position to do so.

I hope that I have addressed the concerns that have been expressed about parliamentary accountability. The proposal is about providing a rod for our own back. It is about providing an external discipline that will work, rather than rules that can be fiddled. It will be an essential part of the framework whereby we restore trust into politics.

The fiscal rules have failed and, in many respects, they sum up the Prime Minister. At first, they appeared a bit complex and rather technical, but worthy, prudent and reassuring. Then came the realisation that the complexity and technical details were there more to baffle and confuse than to assist. Finally, there came the recognition that the fiscal rules—perhaps like the Prime Minister—were not as worthy, prudent or reassuring as was once thought, and that they were in fact entirely ineffective in achieving their objective. They were there only for political show—a PR gimmick, in the words of the hon. Member for Great Grimsby—and when it came to substance, there was nothing there. We must do better, and we will.

6.41 pm

The Financial Secretary to the Treasury (Mr. Stephen Timms): I agree that we have had a good debate, and I thank the hon. Member for South-West Hertfordshire (Mr. Gauke) for his kind welcome to me on my fourth arrival at the Treasury. I echo his tribute to my predecessor.

The fiscal rules are a key element of the framework introduced in 1997 for long-term macroeconomic stability, which has ushered in the longest period of success in the economy that we have ever seen in the UK. Before it was introduced, fiscal policy frequently amplified, rather than dampened, the fluctuations of the economic cycle, and fiscal policy decisions were made against vague and shifting objectives. We all vividly remember the consequences of that: 3 million unemployed, twice; 15 per cent. interest rates; and record levels of repossessions and bankruptcies.

The framework introduced in 1997 therefore marked a genuinely radical change. The code for fiscal stability, underpinned by legislation, sets out the principles for fiscal management enunciated by my right hon. Friend the Chief Secretary to the Treasury earlier in the debate, along with new reporting requirements and the role of the National Audit Office in the independent audit of key assumptions behind the forecasts. It promotes openness, transparency and accountability, just as the framework for monetary policy did after the Bank of England Act 1998. It puts better information in the public domain, the lack of which was one of the reasons for some of the past severe policy mistakes.

Today's global economic challenges are certainly unprecedented, but the framework has made a big contribution to growth and stability in the UK economy over the economic cycle that began in 1997, with inflation and interest rates over the past 10 years averaging around half what they were in the previous two decades. The International Monetary Fund said recently that

> "for over a decade, the United Kingdom has sustained low inflation and rapid economic growth—an exceptional achievement...the fruit of strong policies and policy frameworks, which provide a strong foundation to weather global challenges".

The fiscal framework has served our economy well. Net debt is lower as a percentage of gross domestic product in the UK than in all the other G7 countries except Canada, and in the euro area. During the economic cycle that started in 1996-97, net borrowing has averaged 1 per cent., compared with more than 3 per cent. in the previous economic cycle under the Conservative Government. The framework has improved transparency and increased the regularity of fiscal reporting. Fiscal policy has supported monetary policy, helping to smooth the path of the economy, which represents a break from the pro-cyclical fiscal policy of the past; and the golden rule has played an important part in breaking the bias against capital investment that so damaged public services. My hon. Friend the Member for South Derbyshire (Mr. Todd) made that important point earlier. Public sector investment is over three times higher as a share of the economy than it was in 1997-98, having risen from 0.6 per cent. of GDP then to 2 per cent. this year.

Mr. Cash: I note the Minister's advocacy of the idea of maintaining a relatively low percentage of debt to GDP. Taking into account Northern Rock and Bradford & Bingley, what other proposals might the Government have that might increase the amount of indebtedness? Would the Minister resist such proposals from the Dispatch Box?

Mr. Timms: Contrary to the views expressed by the Conservatives, what we have done for Northern Rock and, indeed, Bradford & Bingley was absolutely the right thing to do. I do not think that it would be right to include the Northern Rock figure in the comparison for the sustainable investment rule, and that view is shared by the CBI, the Institute for Fiscal Studies and others. We will talk about the position in regard to the Bradford & Bingley figures in the pre-Budget report.

It is absolutely right to focus on sustainable investment and prudent levels of debt, and we remain committed to that, and to the other fiscal policy objectives that we have pursued consistently since 1997. The objectives are: in the short term, to support monetary policy and smooth the path of the economy; and, over the medium term, to ensure sound public finances and fairness between generations.

Mr. Graham Stuart: The Minister has waxed lyrical about the positive impact of the fiscal rules. Will he reassure the House of Commons today that there will not be an announcement outside Parliament tomorrow of any great change to the rules—perhaps to dump them?

Mr. Timms: The hon. Gentleman is absolutely right about the benefits of the rules. Discipline through the framework saw net debt cut over the economic cycle that began in 1997-98 from 43.2 per cent. of GDP at the end of 1996-97 to 36.5 per cent. in 2006-07. That gives us the flexibility to support the economy through the current economic shocks, in particular through the automatic stabilisers and the targeted support that we have introduced for the least well off; so borrowing can rise this year to support families and businesses, while maintaining soundness in the public finances.

We will not run risks with the public finances. The pre-Budget report will set out how we are striking the right balance between supporting the economy and taking the necessary decisions to ensure that the Government live within their means. The public finances remain on a sustainable path.

The twin global shocks of the credit crunch and the surge in energy and food prices have hit every country in the world, including ourselves. The global shocks are unprecedented in their scope, their scale and the fact that they have coincided in time. We are determined to help families and businesses, supporting in particular those who most need support. Our priority is to navigate Britain through these challenges in a way that secures fairness, and we will renew our focus on economic stability.

We are certainly a great deal better placed to weather these shocks than we were in the 1970s, the 1980s or the early 1990s. There are five reasons for that.

Mr. Philip Hammond: The right hon. Gentleman claims that we are better placed than we were at some other point in time, but the claim of the Chancellor and the Prime Minister has been that we are better placed than other countries. Does the Minister still maintain that position, in the face of all the evidence?

Mr. Timms: Yes, we certainly are. For example, we have had more people in work in the UK over the past few months than we have ever had before. The growth of GDP per head in the UK has been higher than that in any other G7 country. Those are changes that put the UK in a very strong position, compared with others.

There are five reasons for this. First, Bank of England independence has given us interest rates and inflation well below the double-digit levels that we saw in earlier decades. Secondly, our labour market is the most flexible in Europe, with employment remaining high and more than half a million job vacancies. Wage pressures are subdued, thanks in no small part to our decisions on public sector pay. Thirdly, Britain remains one of the best places in which to do business and is a magnet for overseas investment. There was more foreign direct investment in this country last year than in any other country in the world except the United States. Fourthly, thanks to decisions made since 1997, public debt remains low by historical and international standards. This means that we can provide targeted support to those who need it most, and protect investment in our infrastructure. That investment was sacrificed in previous downturns, but it will in truth underpin our future growth, which is why we need to maintain it. Fifthly, we have taken the long-term decisions to boost competitiveness—on energy, planning, transport, housing, science, skills and digital technology. However, there is no ground for complacency. Britain unquestionably faces great challenges. But we are facing them from a very strong foundation.

Our immediate priority is financial stability. As my right hon. Friend the Chancellor spelled out yesterday, we will do whatever it takes to ensure that stability is maintained. We have taken Northern Rock and part of Bradford & Bingley into public ownership—overcoming opposition from the Conservative party—thereby protecting depositors and making sure that such problems did not spread. We have introduced extraordinary amendments to the competition regime so that the merger of Lloyds TSB and HBOS could go ahead quickly. We have tackled directly the problems of liquidity in the banking system. The FSA has imposed a temporary ban on short selling to help to calm market volatility—again, in the face of opposition from the Conservative party.

Mr. Cash: Is there any question in the Minister's mind of overriding European law by using enactments passed in this place to achieve the objectives that he has described in relation to the problems of competition policy?

Mr. Timms: No. I am absolutely confident that what we have done is not only right but, given the variety of legal constraints, appropriate. We will proceed with it.

Supporting the banking system in that way is essential, not only for financial institutions but for businesses and individuals who rely on them. In the longer term, we will continue to build on the success of the UK economy over the past decade. We will work with other countries in tackling the twin global shocks, and will maintain our hard-won economic stability, supporting the economy and keeping inflation low. The principles and objectives set out in the framework remain right. We will ensure that the framework remains sufficiently flexible and robust to cope with the challenges that we face.

Let me comment on some of the interesting points made in the debate. The hon. Member for Runnymede and Weybridge (Mr. Hammond) introduced his party's proposals, which were interesting to hear. It struck me that he was generous in giving way during his speech until he reached the section on his party's proposals for a new framework. At that point, he wanted to rush to the end as quickly as possible and avoid answering questions. Clearly, some interesting ideas have been put forward, but there is a great deal of vagueness on the detail, such as on what the forecast period would be. Many detailed points were raised in interventions, but, sadly, as in many other areas of Conservative policy, the detail is missing.

The contribution of the hon. Member for Twickenham (Dr. Cable) was characteristically thoughtful and helpful, not least in making some trenchant observations and criticisms of the Conservative party's policies. I enjoyed the contributions of my hon. Friends the Members for Luton, North (Kelvin Hopkins) and for South Derbyshire (Mr. Todd), who is right to draw attention to the way in which we have maintained capital investment. Total schools capital investment has risen from less than £700 million in 1997 to £6.4 billion this year. The removal of the need for classroom roofs to be supported by pit props is among the benefits of that.

I was grateful to the hon. Member for Gosport (Sir Peter Viggers) for his kind remarks. I agree with him about the decisions made in 1997, which he supported. Of course, I also support the other decisions that were made. In relation to the arrangements introduced in yesterday's legislation on dormant accounts, a long-term process is envisaged. I noticed that the House did not divide on those proposals.

The hon. Gentleman raised the question of remuneration in the financial sector. The issue is about undesirable incentives towards excessive risk taking, which we have undoubtedly seen. That is why the FSA has said that it will take more account of financial institutions' remuneration structures in its risk assessment of banks, and that is the right approach.

The hon. Member for Stone (Mr. Cash) queried some of the figures. Let me make the point that the Office for National Statistics figure to which he referred was general Government gross debt rather than public sector net debt, the figure to which I referred—36.5 per cent. in 2006-07, rising to 36.8 per cent in 2007-08.

We do not take risks with stability in the economy. By taking the right decisions, we can make sure that Britain continues the success of the past decade and meets the challenges of the next, building greater prosperity and fairness. The Monetary Policy Committee has been acknowledged in the debate as a cornerstone of the successful economic policy frameworks that have delivered sustained growth and, on average, lower inflation than in the euro area and the United States. We firmly support the 2 per cent. inflation target, and will support the Bank of England's Monetary Policy Committee in the decisions it takes to ensure that inflation comes back to target within the next couple of years.

We remain fully committed to the fiscal policy objectives that we have pursued consistently since 1997. The pre-Budget report will set out how we are striking the right balance between supporting the economy on the one hand and ensuring that the Government live within their means and that the public finances remain on a

sustainable path on the other. We will continue to act on our commitment to develop secure, efficient, stable and fair financial markets. We are strengthening the financial stability framework that we put in place in 1997, which has worked well.

As my right hon. Friend the Chancellor set out yesterday, however, the Banking Bill—introduced earlier today—will enhance our ability to respond to difficulties in the financial sector by: strengthening early regulatory intervention and liquidity assistance; providing the authorities with permanent powers to deal with failing banks; strengthening depositor protection through the financial services compensation scheme; and putting in place a new statutory role for the Bank of England in preserving financial stability.

The problem for the Conservative party is that its philosophy simply does not work in times such as these. It wants to see Government withdrawing—doing less. That approach simply cannot work in such testing times—*[Interruption.]*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. There is too much noise in the Chamber. I need to hear the right hon. Gentleman's winding-up speech.

Mr. Timms: The approach simply cannot work in such tough times. That is why Conservative Front Benchers have got all the key judgments wrong in the past few weeks. They were wrong on Northern Rock, wrong on Bradford & Bingley, and wrong on short selling. People are noticing their approach. As the *Financial Times* said this morning,

"they have developed a habit of calling on the Government to take action that is already in the pipeline."

The framework undoubtedly faces its toughest test since it was introduced a decade ago. It has served us extremely well. We will come through the test with renewed confidence. Over the past decade, we have taken the right decisions for a strong and stable economy. Now we are taking the right decisions for continuing prosperity. That is the right approach, and I ask the House for its support.

Question put, That the original words stand part of the Question:—

The House proceeded to a Division.

Mr. Deputy Speaker: Perhaps the Serjeant at Arms could start by investigating what is happening in the No Lobby and then, if necessary, investigate what is happening in the Aye Lobby.

The House having divided: Ayes 222, Noes 296.

Division No. 268] **[6.59 pm**

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Sir Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Boswell, Mr. Tim
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Conway, Derek
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, David T.C. *(Monmouth)*
Davies, Philip
Djanogly, Mr. Jonathan
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duncan, Alan
Duncan Smith, rh Mr. Iain
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Horam, Mr. John
Horwood, Martin
Hosie, Stewart
Howarth, David
Howarth, Mr. Gerald
Howell, John
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Lansley, Mr. Andrew
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mason, John
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Mundell, David
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Oaten, Mr. Mark
Osborne, Mr. George
Paice, Mr. James
Paterson, Mr. Owen
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob

Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Teather, Sarah
Thurso, John
Timpson, Mr. Edward
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Sir Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Watkinson, Angela
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willott, Jenny
Wilshire, Mr David
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Wishart, Pete
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
James Duddridge and Jeremy Wright

NOES

Abbott, Ms Diane
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Balls, rh Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Burgon, Colin
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flint, rh Caroline
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Killoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Lucas, Ian
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Merron, Gillian
Michael, rh Alun
Miliband, rh David
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John

Primarolo, rh Dawn
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Sarwar, Mr. Mohammad
Seabeck, Alison
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Spink, Bob
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr. Gerry
Taylor, David
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Walley, Joan
Waltho, Lynda
Ward, Claire
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Woodward, rh Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony

Tellers for the Noes:
Mark Tami and
Ms Diana R. Johnson

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith, pursuant to Standing Order No. 31 (Questions on amendments), and agreed to.*

MR DEPUTY SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House notes that the purpose of the fiscal framework is to smooth the path of the economy in the short term, to secure sustainable public finances in the medium term and to ensure that spending and taxation impact fairly between generations; recognises the success of the framework over the past decade, reversing historical under-investment in the infrastructure of public services, reducing debt from 43 per cent. of GDP in 1997 to below 37 per cent. last year and allowing borrowing to increase this year in order to support the economy; welcomes the £4 billion of tax cuts helping families and businesses this year; further notes the turmoil in the world economy and financial markets; recognises that Government is rightly focused on the turbulence in the financial markets and helping families and businesses with the twin shocks of the credit crunch and high commodity prices; and welcomes the Government's commitment to take whatever steps are necessary to protect the stability of the financial system.

Unemployment in the UK

Mr. Deputy Speaker (Sir Alan Haselhurst): I have to inform the House that Mr. Speaker has selected the amendment in the name of the Prime Minister. I must also announce to the House that I am placing a 12-minute limit on Back-Bench speeches in this debate.

7.18 pm

Chris Grayling (Epsom and Ewell) (Con): I beg to move,

That this House notes with concern the recent increases in unemployment, and the widespread forecasts that the total may rise in the months ahead; further notes that the UK already has almost five million people in receipt of out of work benefits; and calls on the Government to implement measures to help British business secure existing jobs and to improve the back to work support available to those who do become unemployed.

Before I begin my remarks, may I welcome the members of the rather extensively new Department for Work and Pensions team to their positions? There has been a big change in the departmental ranks, but we on the Conservative Benches look forward to debating with all of them in the weeks and months ahead.

Much of the media attention over the past couple of weeks has rightly been on the crisis in the financial markets, which was the subject of the earlier debate this afternoon. In the second debate today I want to turn the attention of the House to an issue that is becoming an increasingly big concern for people around the country: unemployment. None of us wants to see the unemployment rate rise. We all hope that the gloomier forecasts about unemployment prove to be over-pessimistic, but the truth is that things are getting worse, and not only in the financial services sector. Yesterday, we had 600 jobs lost at the automotive firm LSUK in Sheffield. One thousand people per day are currently joining the dole queue. Unemployment is up by more than 40 per cent. in some areas. Employment is falling; vacancies are down by 60,000, and youth unemployment stands at more than 1.25 million.

Chris Ruane (Vale of Clwyd) (Lab): The hon. Gentleman mentioned employment levels, so may I inform him that in 1997 the employment level in my constituency was 23,000 and in 2007 it was 29,000? Does he know the employment levels for his constituency over that period?

Chris Grayling: The hon. Gentleman will find that the headline figures on employment levels that the Government and Ministers have been bandying around in recent weeks do not tell the whole story, and I shall return to his remarks shortly.

People up and down the country are worried about their jobs and businesses, and they are worried about the future. The worry is that this Government have been complacent about unemployment. Again and again, as the economic storm clouds gathered, Ministers have sheltered behind optimistic claims about their record on employment as a justification for their belief that Britain is somehow better placed to deal with the economic challenges that we face. They have claimed that Britain had "record employment" and that long-term

[Chris Grayling]

unemployment has been "virtually eradicated". Only four weeks ago, the then Minister for Employment and Welfare Reform said:

> "And we have grasped the opportunity to lift the rate of employment to a historically high level, with more people in work in Britain today than ever before in our history, and to reduce unemployment to levels not seen since the 1970s."

That remark does not entirely reflect the reality behind the scenes in the small print.

Philip Davies (Shipley) (Con): My hon. Friend rightly said that people are concerned for their jobs, and nowhere is that more the case than in west Yorkshire. It faces the combined effects of what has happened to HBOS and Bradford & Bingley, which are based in my constituency. Does he agree that although the Government have been keen to safeguard Northern Rock jobs in Newcastle and jobs in Scotland—through the deal that they cobbled together with Lloyds TSB and HBOS—it is just as important to safeguard jobs in west Yorkshire? Does he also agree that everything should be done to try to help that local economy, which will be devastated by the combined effects of what is taking place?

Chris Grayling: My hon. Friend makes an important point, and he speaks out clearly in defence of the interests of the people of west Yorkshire. We should be concerned about employment in both Bradford and Halifax, given what has happened in the past few weeks.

After 10 years in power, Ministers need to spend a bit more time in the real world, because as always with this Government, when one reads the small print, one sees that there is a much more sober tale to tell. Ministers tell us that they have created 3 million more jobs, but they do not tell us that about 80 per cent. of them have gone to migrant workers. If one uses the International Labour Organisation measure of unemployment, which, in opposition, the Prime Minister used to prefer, one is told that the jobless total has fallen by only 300,000 over 10 years of continuous economic growth. Almost 5 million people in Britain are claiming out-of-work benefits. The rate of economic inactivity—one in five—is pretty much unchanged from 1997. Some 5 million people in Britain do not have any formal qualification, and the employment rate for those lower-skilled workers has fallen under Labour. Britain's employment growth last year was among the lowest in Europe; it was higher only than in Hungary and Portugal.

Mr. Brian H. Donohoe (Central Ayrshire) (Lab): Does the hon. Gentleman really think that this debate is of value to the British people? Talking down the economy instead of talking it up is the poison that is bringing about the uncertainty in our constituencies. My constituency contains companies that are taking on apprentices for the first time in a generation and companies that are expanding by the day. I do not need to hear drivel being talked; the economy does not need to be talked down.

Chris Grayling: It is only understandable that Labour Members will not like being told the truth about the Government's record on employment, but if we are to address the problem of rising unemployment, we should at least start by recognising the scale of the challenge.

The reality should not be buried in the small print. A perfect example is the Government's claim that long-term unemployment has been "virtually eradicated". In fact, they have made it statistically impossible to be long-term unemployed. Young people who claim jobseeker's allowance for six months and over-25s who claim for more than 18 months are automatically referred to the new deal, and if they fail to find a job initially on the new deal, they are referred to a period of mandatory training. At that point, claimants are moved off JSA and on to a training allowance, and are removed from the Government's official claimant count. At any one time, about 40,000 people are hidden from the Government's official claimant count in that way. About one in three people leaving the new deal return straight to benefits, at which point they rejoin the claimant count, their previous claim is wiped clean and they appear to have only just become unemployed. Under the Government's current system, it is possible for people to be have been unemployed for more than two years, but for them to appear to have been on benefits for only two days.

Some of the other hidden statistics are equally worrying. According to official figures, 700,000 people who would like to work full-time are working part-time because they cannot find full-time work. Employment among British-born, British nationals is falling fast; 250,000 fewer UK nationals are in employment than two years ago. Until now, this Government have got away with their failure to address the underlying weakness in our labour market, but it is about time that they stopped denying that there is an unemployment problem in this country and started listening to those who are already struggling.

We know that the consequences of those employment failures are not just limited to adults; child poverty is up for the second year in a row. The UK has a higher proportion of its children living in workless households than any other EU country. Almost 1.3 million young people aged 16 to 24 are not in work or full-time education—that is a 19 per cent. increase on the 1997 figure.

How should we begin to tackle the problem? First, we must do everything possible to help those who are unfortunate enough to lose their jobs. An important first step would be to accelerate the process of welfare reform—to turn some of the things on which the Secretary of State and I have agreed into reality now, rather than in two years' time or more. People think that talking about welfare reform at a time of rising unemployment is a contradiction in terms; how can one introduce big new changes to the welfare-to-work process when the number of jobs is falling? That is not the right view to take, because we know about the experience from the other side of the Atlantic. When I went to New York in January to look at welfare schemes, I asked people about coping during the recession of the early 2000s. I was told that the introduction of innovative employment programmes, which helped to match people and their skills with the opportunities that were available, helped to make a difference to the rise in the claimant count. The rise in the number of unemployed was less pronounced than it had been in previous recessions.

We understand that times have changed and that Britain is facing a tougher economic climate. If anything, that makes the case stronger for a fairer, more active welfare system. With the publication of our green paper

on welfare reform in January, and the Secretary of State's subsequent decision to adopt both David Freud's proposals and ours, there should be cross-party consensus on what needs to be done—so why the wait? The Government will have our backing if they accelerate the reform process, and now is not the time to be timid.

People who lose their jobs will need individualised support to reflect their needs. They will need tailored employment programmes that offer, among other things: job search facilities; specialised training to increase suitability for work; personalised career and recruitment advice; interview training with employers; and CV-writing techniques. The reforms that we have all discussed would lead to the creation of a world-leading back-to-work system, through centres all around the country delivering the necessary support.

We have some of those skills in Britain already, but as the Government's amendment so clearly reveals, the programmes that are in place barely scratch the surface of the challenge we face. That is why we need to accept the accounting changes that allow the use of benefit savings to help pay for the programmes that get people back into work—the so-called DEL-AME, or departmental expenditure limits-annually managed expenditure, switch. It is no good piloting that change sometime after 2010, because it is needed now. Without it, we cannot build the scale of programmes needed to meet the nature of the challenge we face. The biggest problem with the Government's Green Paper in the summer was that everything seemed to be timetabled for years down the track. I offer the Secretary of State our support in changing that and getting on with things now.

We need to do more to protect the jobs that we have. In the last recession, I worked for a small company in Winchester. Out of the blue, our biggest customer went bankrupt and we did not even have enough money to pay the salary bill at the end of the month. It would have been easy for the bank to pull the plug, but we were lucky and it did not. With a real team effort, the business pulled through, but many others in that position are not so lucky. Loans can be called in and businesses can collapse almost overnight. We need to take steps to protect good businesses that suffer a sudden problem of that kind.

David Wright (Telford) (Lab): The hon. Gentleman will know that local authorities provide a lot of employment. Can he predict what would happen to local authority jobs if there was a freeze on council tax?

Chris Grayling: I am sorry that the hon. Gentleman does not appear to believe that, given the financial and cost-of-living pressures on pensioners, freezing the council tax is a good idea. We happen to think that it is, and I would be delighted to argue the case with him on the doorsteps of pensioners in my constituency and elsewhere.

We need to take steps to protect small businesses that face a sudden problem, especially in the current climate of difficult times and in the months ahead. At the moment, our insolvency rules do not do enough to stop those firms going under. That needs to be changed as a matter of urgency. The United States has a special system for companies in that position, called chapter 11. The system allows companies in difficulties enough time and protection to sort things out. A similar system should be introduced in the UK. It would allow company directors the time to formulate a plan to rescue or restructure the company. It would not save lame ducks, but it would give good companies a breathing space when their financing was put under pressure by world events or a sudden, unexpected and unwanted hiccup, such as a supplier failing to supply or a customer going bankrupt.

The current insolvency system often means that the only option is to close down the business, destroying livelihoods and creating significant job losses. If we were to adopt the proposed reforms that we have set out, introducing a chapter 11-style system, it would create a breathing space that allowed company directors to formulate a plan to rescue or restructure a company.

Mr. Ian Taylor (Esher and Walton) (Con): My hon. Friend is making an important point, and I hope that it will not be lost in party political jibes from the Labour Benches. At the moment, many companies that are well run have severe credit problems because of the banking crisis, in which the banks are not lending to each other, let alone to companies. In these circumstances, well-run companies may be short of credit and in a situation in which they and their creditors do not have time to come to some arrangement, as they would in normal conditions. We are in a crisis, and we require crisis thinking on a collaborative basis, so I welcome my hon. Friend's contribution.

Chris Grayling: My hon. Friend makes his point well. In the next few weeks, we must all be careful not to use rhetoric against the financial services sector and the banks that ends up being counter-productive. The reality is that our banks play a crucial role in the fabric of our economy. The disappearance of credit facilities affects individuals and small businesses and could, as my hon. Friend rightly says, force otherwise good businesses into receivership. We wish the Government well in their efforts to ensure stability for our banking system. We also need protection in place for businesses that run into unexpected difficulties that, given time, they might be able to trade through.

If the Government accept the principle behind our proposals, there are three elements to our plan. The first is to introduce an automatic stay of enforcement. That would prevent banks or other creditors from intervening immediately to enforce repayment of debt while the management stays in place and attempts to negotiate a restructuring. The second is to give a priority status for any financier willing to provide ongoing funding for the company post petition. Unlike in the UK, firms in chapter 11 in the US are able to raise finance even after they have petitioned for bankruptcy. Lenders will lend them money in exchange for "super-priority" over other unsecured creditors. In fact, there is a whole market for such rescue funding in the US. Introducing such a market in the UK could help to protect businesses and jobs.

Stewart Hosie (Dundee, East) (SNP): If companies had a stay of execution and the chance to seek private finance, would the hon. Gentleman envisage reversing the Government's recent changes to the capital gains tax regime to make that an attractive proposition? If not, what changes would need to be made to capital gains tax?

Chris Grayling: The experience in the US suggests that such tax changes might not be necessary. We are not in a position now to write the next Budget, but the opportunity to lend to a business that has the potential to recover and is otherwise fundamentally sound, in exchange for super-priority status, would be attractive to investors in any case.

Mr. Terry Rooney (Bradford, North) (Lab): I am sure that the hon. Gentleman does his homework, because he is quite bright. Does he not realise that most large US companies that go into chapter 11 dump their pension liabilities on the US equivalent of the Pension Protection Fund, and their employees suffer horrendously? That is how those companies get afloat again. For example, every major US airline has done that. What it means is that somebody somewhere suffers and pays for those companies to stay in business. It is not a no-risk proposition.

Chris Grayling: Right now the priority in this country should be to protect jobs. We are not talking about an exact replication of the US system, but about taking the best from it and applying it here. If a business is in difficulties, it may be better for change to be negotiated within the business, instead of seeing the kind of failure that faces Alitalia, with tens of thousands of jobs at risk in Italy because the unions and the management could not agree on a rescue package.

The point about the chapter 11 system is that it allows time for discussions on securing the future of the business. The hon. Gentleman may not appreciate the problem; at the moment, the banks can come in, literally overnight, and close a business down. The jobs go and the business is completely lost. We are arguing for a stay of execution, so that otherwise decent businesses that are experiencing hiccups have a chance to survive, especially at a time like this. Under the current regime, the danger is that that will not happen.

Mr. Ian Davidson (Glasgow, South-West) (Lab/Co-op): Is the hon. Gentleman aware that none of this would be necessary under the plans recently announced by the Scottish Executive, who have told us that all the money needed for every public and private scheme will be borrowed from the Government of Qatar? Does he believe that that is likely to happen?

Chris Grayling: It sounds a tad implausible, but I am sure that it will lead to lively debate in Scotland. Sadly, I fear that businesses in Scotland will not be immune to the present problems. The changes for which we are arguing tonight would also apply to businesses in Scotland, Wales, Northern Ireland—indeed, across the UK.

The third element of reform that is needed is to prevent unscrupulous creditors from vetoing desirable restructurings. Once a company had proposed a restructuring plan, it would be required to submit it to the court, along with any supporting evidence. Any creditor group that disputed the plan would also be able to submit evidence, but once the court and a majority of creditors had approved the plan, it would bind all of them.

Taken together, these reforms may provide the right framework to allow good companies to continue to trade during an economic downturn. I sincerely hope that the Government will adopt these proposals now. British business cannot afford to wait to the next election for a set of reforms like this. We face tough challenges today and I hope that the Government will accept the reforms in a good spirit and implement them as soon as possible.

Rob Marris (Wolverhampton, South-West) (Lab): The hon. Gentleman's party has had a Damascene conversion on unemployment, and I welcome that. I also welcome his position that more regulation is appropriate, rather than a free-for-all. I shall try to tempt him a little further. Would he care to distance his party from hedge fund managers, spiv short-sellers and arbitrageurs, some of whom have been funding his party?

Chris Grayling: I am very surprised that any Labour MP would want to draw attention to that issue today given the fact that only last week the Prime Minister appointed the senior director of a City fund that has been involved in short trading to his Government to serve as City Minister. I am baffled by why any Labour MP would want to try to turn the mirror on the Opposition—Labour should be answering those questions, not anyone who sits on this side.

Mr. Ian Taylor: I apologise to my hon. Friend for intervening twice. The simple fact is that anyone who was selling short in the city was borrowing stock in order to do so. Guess who was lending the stock? It was the pension funds and other so-called Labour-approved reputable trading bodies. I think we need a little less sanctimonious crap from Members opposite.

Chris Grayling: My hon. Friend makes his point succinctly. There will come a time when all the events that have taken place in the financial markets in the past few weeks will of course need to be addressed, but right now our duty as a House of Commons and as a nation is to seek stability in our economy and to take the steps that we need to take to protect jobs, to protect businesses and to ensure that we can look after those who are unfortunate enough to lose their jobs. The other big step that the Government need to take to protect business and jobs is on tax. It cannot help employment prospects in this country if some of our biggest firms are transferring their headquarters and domiciles to other countries so that they can take advantage of favourable tax regimes in places such as Ireland. That cannot help the employment prospects of people in this country either. That is why we continue to argue that we need to cut the main rate of corporation tax from 28p to 25p and to reverse the Government's planned increase in the small companies rate from 20p to 22p. The costs of such a reform can be met by dramatically reducing the complex structure of allowances that the Government have introduced for business. We need a simpler and more attractive tax regime in this country that makes it attractive to do business here, that protects jobs and that attracts employers to this country in the future.

I sincerely hope that unemployment does not rise as far and as fast as some are predicting.

Sammy Wilson (East Antrim) (DUP): The hon. Gentleman's point about corporation tax, which has been mentioned and which particularly affects companies in Northern Ireland because of the land boundary, has been resisted strongly by the Treasury. Does he agree that the experience of the Irish Republic, where a lot of

inward investment has attracted a high percentage of EU inward investment as a result of the low corporation tax rate, proves his point? Corporation tax is an important incentive for firms, and we cannot understand why the Treasury has resisted the idea.

Chris Grayling: The hon. Gentleman makes an extremely fair point. We feel strongly about that issue, and that is why we have argued for the reforms and why it remains our aspiration, when economic circumstances permit and when we are able to share the proceeds of growth, to bring down the tax burden on business and on individuals in this country so that we do not lose major corporations to other countries. We cannot afford to do that.

Albert Owen (Ynys Môn) (Lab): Does not the hon. Gentleman find it ironic, as I do, that all those tax incentives are in the Republic of Ireland, yet the Republic of Ireland was the first European country to go into recession? That is very problematic for the future. Does not he agree that what we really need is stability so that we do not have a sharp downturn, as we have seen in the Republic of Ireland?

Chris Grayling: We clearly need to achieve economic stability in this country and in other parts of the world. There is no doubt about that. Economic stability is the only environment in which to do business and it is a tragedy that we have gone from a boom to a bust in this country despite being told by the Prime Minister that there would be no more boom and no more bust—that somehow we had got over that, as he had changed the laws of economics. However, it was not like that, and our businesses are paying the price today.

Paul Rowen (Rochdale) (LD): I have listened to the hon. Gentleman's proposals with some interest. Will he tell the House what he envisages will be the cost of his welfare reform proposals and the other changes, such as the chapter 11 changes? What does he envisage will be the net saving in the number of jobs that he expects his proposals to save?

Chris Grayling: There are two key elements to my argument today, and the chapter 11 proposals would have no cost impact. On the subject of bringing forward the welfare reforms, since the Secretary of State has assured us regularly over the past few weeks that his proposals carry no extra cost, I assume that bringing them forward earlier would indeed carry no extra cost. It is merely a question of getting on with the job faster.

I sincerely hope that unemployment does not rise as far or as fast as some are predicting, but we need to be ready if it does. It will not help tackle the problem if the Government continue to bury their head in the sand about the true scale of worklessness in the UK. We need measures to protect small business and to help it grow. We need better support for those who do lose their jobs so that we can get them back into work as quickly as possible.

We have heard boast after boast about the Government's record on employment in the past few months—boasts that do not pass muster under scrutiny. So, we have had enough of the complacency and enough of the empty rhetoric about a record on employment that just does not reflect the reality. Let us see some real action before things can get any worse.

7.45 pm

The Secretary of State for Work and Pensions (James Purnell): I beg to move, To leave out from 'House' to end and to add instead thereof:

"notes the global economic challenges that are facing the UK; congratulates the Government on policies such as Local Employment Partnerships which have helped nearly 40,000 people find work, Pathways to Work which has supported more than 94,000 people off Incapacity Benefit and into work, and the New Deal which has helped 1.97 million people into jobs; welcomes the policies of this Government which seek to reform the welfare state to give people active support to get back into work as quickly as possible; and supports rapid action to ensure that where redundancies occur people are given the personalised support they need to return to work, to intensify the activity of the welfare state to ensure no-one is written off and to maintain a strong and flexible labour market.".

I was rather sad to hear the partisan tone adopted by the hon. Member for Epsom and Ewell (Chris Grayling). This is an important issue for our constituents and I think that it would be better if we debated it in the spirit in which I thought that the hon. Gentleman's leader said that he would approach this economic challenge. That spirit was that we should try to work together to address these issues. I shall try to address the points that the hon. Gentleman made and some of his rather eccentric use of facts. I shall then turn to his proposals and try to explain that all his main points are already Government policy. We are glad that he already agrees with what we are doing on employment and on the insolvency regime.

It is right that we should debate the subject tonight, and I am glad that the hon. Gentleman called the debate. Over the last two days, we have rightly discussed in this Chamber the financial situation and the global economy. All parties agree that there is no way that Britain could not be affected by the international situation. We could not stop the world, even if we wanted to get off. We need to maintain our open economy and to do everything we can to protect people through the current financial and economic situation and to prepare them for the upturn that will come thereafter. That is exactly what the Government are doing.

Our constituents tell us that they know about the drama on Wall street and Threadneedle street, but they want to know what the ripple effect will be on their high streets. The hon. Gentleman said that we should be living in the real world, but that is what we do. Last week, I spent two days in the high street in Kentish Town at the Jobcentre Plus, talking to advisers and to people who have just started to claim. The interesting thing was that there was a steady flow, as there always is, of people signing off benefits, because they have found work, and a flow of people coming in. People asked two questions: first, what is happening in the economy, and secondly, what are the Government doing? I want to talk about both those things and will try to address the points that the hon. Gentleman made.

Let us start with the facts. The latest analysis of the labour market makes it clear that unemployment is rising. The number of people claiming jobseeker's allowance has been going up since the beginning of the year. In the last month, it went up by just over 32,000. Inflows on to

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jobseeker's allowance are now at 250,000 people compared with 200,000 earlier in the year. The steady flow of people in and out that I mentioned seeing in Kentish Town is reflected in the wider economy. At the same time as 250,000 people were flowing on to the allowance, 216,000 people flowed off in August. That is because we have a strong, flexible labour market that is one of the best in the G7.

The hon. Gentleman tried to make some points about that, but he could not detract from the fact that we have the second highest employment rate in the G7. He cannot detract from the fact that there are 600,000 vacancies in the economy or that 500,000 people start a new job every month. Every time someone loses their job it is a worry, and it is a tragedy if they cannot find the next one. We should all be focusing on exactly what we can do to ensure that people find their next job as fast as they can as well as protecting existing jobs.

Let me correct some of the things that the hon. Gentleman mentioned. He said, for example, that it is not true that employment has been at a record level this year—he quoted an example of that being said earlier this year. Over the past 11 years, the employment rate has been at 74.3 per cent., compared with 71.4 per cent. under the Conservative Government. There has been a significant rise in the employment rate in this country. It is the highest employment level that has ever been achieved in this country. We are coming from a high level and it is therefore wrong for him to say that the economy has not had a successful labour market over the past few years. It is wrong for him to say that 80 per cent. of those jobs have gone to migrants. That figure is simply wrong. The figure is 50 per cent. and 800,000 more UK-born people are in work than there were in 1997. It is wrong of him to say that the inactivity rate is at 20 per cent. That includes students, whose numbers have risen very significantly over the last 11 years, and I thought that that was something that those on the Conservative Front Bench supported. If the number of students is taken out, the inactivity rate has fallen significantly.

It is wrong to say that long-term unemployment has not fallen as, even under the ILO measure that the hon. Gentleman quoted, it has gone from 800,000 to 354,000. It has fallen by more than half, so the figures that he tried to quote were, I am afraid, wrong. In his motion, he states that 5 million people are inactive, but that figure includes carers, people who have been recently bereaved, and parents with children under five. Even he does not want to see them in work. Will he confirm that that 5 million figure includes all those people? Is he saying that all carers should go back into work, or that the 5 million figure is a completely inappropriate way of describing the inactivity rate?

Chris Grayling: The Secretary of State's point about carers is right, but will he confirm that he is now proposing to move them on to jobseeker's allowance rather than income support?

James Purnell: Yes. That is exactly what we are proposing. We want to simplify the benefits system, which is something that Front-Bench Members of all parties agree with. I hope that he will say in future that he does not recognise that 5 million figure, which is a totally inappropriate way of describing inactivity. If he wants to continue using it, he will have to make it clear to carers that he is expecting them to look for work.

Chris Grayling: What about conditionality?

James Purnell: We are not going to change the conditionality regime for carers. Is the hon. Gentleman saying that he wants carers to look for work? If not, he should he say that he will no longer use the 5 million figure because it is deeply—

Chris Grayling: It is true.

James Purnell: No, it is not true. I think that "eccentric" is the most parliamentary way that I can put it.

Chris Grayling: So can I take it that the Secretary of State does not believe that there are many people among those carers who would like to work if we provided the right care and support for their families, and the right job opportunities for them? Does he not agree that, if we develop a world-leading back-to-work system—and I trust that we will—it should be open and available to carers, to help them find the opportunities to do more than simply be full-time carers?

James Purnell: Basically, Mr. Deputy Speaker, I think that that shows that the hon. Gentleman agrees that the 5 million figure is not the right one for him to use. I hope that he will not use it in future.

I want to make it clear to the House that we have not been sitting on our hands. We have not been complacent. For the last six months, my Department has been preparing for a wide range of economic scenarios. I want to take the hon. Member for Epsom and Ewell through what we are planning to do. There are three lessons in particular that I want to share with him.

The first lesson is that we should maintain the active approach to getting people back to work. We have looked at the lessons of our labour market history, and the worst possible thing that we could do at this moment is to relax the activity and obligations required in our back-to-work system. How do we know that? We know it because it is exactly what the Conservative Government did in the 1980s, when they took all conditionality off unemployment benefits. That meant that unemployment rose further than it need have done, to 3 million.

We will not repeat that mistake, and we will maintain the conditionality in the system. Why will we do that? We will do it because conditionality means giving people support and requiring them to take it up. If it is more difficult for people to find work, it would be extraordinary at this stage to start relaxing that conditionality or to provide people with less support.

Mr. Tobias Ellwood (Bournemouth, East) (Con): May I take the Secretary of State back to his statement that only 50 per cent. rather than 80 per cent. of jobs went to UK people, and that that was where the Government were focusing their efforts? Does he think that 50 per cent. is still acceptable?

James Purnell: Are the Opposition saying that they do not want any migrants to come to this country? Is that the policy of those on the Opposition Front Bench? We think that having a positive approach to migration's

contribution to our economy is important. We think that migration has to be managed, and we are bringing in the points-based system because we think that it will help us to do that. We think that it is right that migrants should contribute to our economy. If Opposition Front-Bench Members do not believe that, they should say so. I was merely pointing out that the figure used by the hon. Member for Epsom and Ewell was wrong.

Mr. Davidson: I want to make a point about conditionality. Does my right hon. Friend agree that simply asking people to turn up and participate in training is not sufficient and that, in some circumstances, we need something like the old community programme? People should be given the opportunity to go into meaningful work to get them into the habit of attendance. Something like that would be immensely constructive, especially at a time of declining economic circumstances. Will he introduce it tomorrow?

James Purnell: I cannot quite promise to do it tomorrow, but my hon. Friend will be glad to know that the flexible new deal will do exactly what he describes. It will require people to do mandatory work in return for their benefits. As he knows, we said in our welfare reform Green Paper that we would expect people gradually over two years to be looking to work for their benefits. I am sure that he will support us in that approach as well.

My hon. Friend is absolutely right to say that we need an active approach to getting people back to work, The hon. Member for Epsom and Ewell quoted at length from his recent document "Labour isn't working...again", in which he said that he wanted a network of back-to-work centres around the country that would make sure that there was an

"immediate assessment of every individual's skills and barriers to work".

Well, we do that now in jobcentres. The hon. Gentleman also says that he wants

"individualised support to reflect individual needs",

with job search facilities, CV writing and interview training. We do that already. He says he wants to harness

"the innovation of the private and voluntary providers",

but we do that already. We do not need to reinvent a network of back-to-work centres around the country. Those centres are called Jobcentre Plus, and they are in all our communities. If the hon. Gentleman wants to visit the one in his area, it is at 50, East street, Epsom, Surrey. I suggest that he goes and finds out what is really happening, rather than presenting our policy as his own.

Chris Grayling: Will the Secretary of State give way?

James Purnell: I have given way to the hon. Gentleman enough already. [HON. MEMBERS: "Oh!"] Very well, I give way.

Chris Grayling: Does the right hon. Gentleman really believe that Jobcentre Plus offers the scale of back-to-work support that is needed, and that it replicates what is done in the back-to-work centres in north America? If he does believe that and that is the extent of his aspiration, it is profoundly depressing.

James Purnell: Jobcentre Plus is better than what is offered in America. I visited back-to-work centres in New York, and people queue for hours. Often, they are sent back at the end of the day. They get no advice on getting back to work, and there is a total separation between claiming benefits and back-to-work services. From that Dispatch Box, the hon. Gentleman has just insulted the people who work for Jobcentre Plus in this country. That insult will be noted around my Department, and he should retract it.

Albert Owen: The Secretary of State is right to praise the role played for many years by Jobcentre Plus and the jobcentres in getting people back to work and tailoring support to their needs. However, even at a time when the economy is so precarious, there is a proposal to close some jobcentres in my constituency and in four other areas in Wales. Will he take that proposal on board? Will he meet me, or instruct the area managers to withhold or suspend the proposed closures at this important juncture? People need the extra support that the centres give, especially in areas of historically high unemployment

James Purnell: I should of course be very happy to meet my hon. Friend, but the closures have been proposed because my Department has met some very significant targets, with claimant count in those areas falling from 130,000 to 100,000 and there is another 12,000 headcount reduction. We have looked at a range of economic scenarios to see how the system would react to different levels of claimant count. We are confident that the system is robust, not least because an increasing amount of work is being done by telephone and over the internet. It is right that we do what needs to be done face to face in jobcentres, but the rest can be done by telephone and over the internet. However, I can reassure my hon. Friend that we have already decided to keep on some of the extra people whom we will recruit for the introduction of the employment and support allowance. They will be kept on to help deal with the very problem that he has identified, but I shall of course be happy to talk to him about the specific point that he raises.

The hon. Member for Epsom and Ewell, rather than demeaning the work of Jobcentre Plus, should recognise the world-class work that it does. It has been recognised by the National Audit Office very recently, and he should accept that 60 per cent. of people go back to work within three months, that 80 per cent. go back within six months, and that 90 per cent. do so within a year. That is a very good record, but we want to go further. We want to strengthen the regime further, so we are making sure that people sign on for skills when they sign on for work. We will modernise our new deals and bring them into a single, flexible new deal, so that they can respond to personal needs. As I said earlier, there will be a period of 12 months' intensive support with four weeks of mandatory activity, and we will fast-track people with greater needs on to the new deal. They will include people who have not been in education, employment or training when they turn 18, or those who are ex-offenders.

The regime is world class. We have been planning for these economic contingencies, and we have been strengthening the system. The first lesson of the past 20 years in this country is that the activity of the system should not be relaxed. We need an active system, rather than the passive one that existed under the previous Conservative Government.

[James Purnell]

The second thing that we will not do is to repeat the mistake of the previous Government of massaging the figures to pretend that the numbers are not changing. We will not shift people on to incapacity benefit and consign them to a life trapped on benefits without any kind of support, as a way of keeping the headline figures below what they really are. I can give the hon. Member for Epsom and Ewell that commitment, and I hope that he will match it. We will not manipulate the figures in the way that he did. We will not move people on to inactive benefits when they should be on active benefits. In fact, we shall be doing exactly the opposite; we will make sure that people are moved on to active benefits precisely because that is the right thing for them and their families.

The hon. Gentleman may want to listen to the third lesson of the changes, as for once I am about to agree with him. He is absolutely right: we should not take our foot off the pedal of welfare reform. When people may be finding it more difficult to look for work, they should get more help rather than less. He said that we should be accelerating reforms and bringing them in right now. If I may say so, that is a tiny bit churlish given that yesterday we said that we would be bringing in radical reforms to lone parent support, and given that we are abolishing incapacity benefit and bringing in the employment and support allowance this autumn.

A programme of reform is already going on. It is significant and radical and the hon. Gentleman has praised it a number of times over the past few months. We welcome and accept his support, but he should recognise the changes that are going on. We are increasing the support we give lone parents but we are also asking them to do more in return. From this April, every lone parent who goes back into work has a £40 in-work credit every week—£60 in London. They have more help in and out of work; there is a discretionary fund that can pay for a new uniform or for child care costs.

We have radically improved support for lone parents and in return we think it is right to ask them to look for work at a slightly earlier stage. At present, in Sweden, they have to look for work immediately when their parental leave finishes. In Denmark, the age is one, but in the UK it is 16. Clearly, the balance is not right in this country so we shall be reducing the age from 16 to 12, to 10 and then to seven. That is the right approach: giving people more support, but also expecting more of them in return.

We are doing exactly the same thing with incapacity benefit. Under the Conservative Government, incapacity benefit tripled. Lone parent numbers tripled. The numbers went up from 700,000 to 2.6 million. There was no support for people at all. They were given no help with their health or to get back into work. We introduced pathways to work. We know that the process works and that it gets more people back into work and now we are making it available to everyone across the country. We are replacing IB with the ESA. We will re-test everybody on incapacity benefit to see whether they are on the right benefit and we will expect the vast majority of people on ESA to take up pathways to work and the support we offer. Again, there will be better support, which we know works, and we will be asking and requiring people to take up that support because we know it will change their lives. It will get more people back to health and back into work.

It is wrong to say that we are not introducing radical welfare reform right now; we are doing exactly that. To pick up the point the hon. Member for Epsom and Ewell made about the AME-DEL transfers—the Ant and Dec of welfare reform policy—we are moving ahead with them as fast as David Freud recommended. The fact that the hon. Gentleman thinks that should be done now shows his complete lack of understanding of how we contract with the private sector. David Freud, whom the hon. Gentleman often quotes, says that we are proceeding at exactly the right rate and that the strategy will be a revolution in the delivery of welfare. I would rather take advice from David Freud than from the hon. Gentleman.

At the end of the hon. Gentleman's remarks he spoke about the insolvency regime. I am sure the House listened with interest to what he said, but I am afraid I have to tell him that the reforms introduced in the Enterprise Act 2002 have modernised our system, and have meant that it is recognised across the world as one of the very best insolvency regimes. The hon. Gentleman mentioned three things. On automatic sale enforcement, administration already provides for a moratorium for all companies while restructuring is agreed. On priority funding, again administration already provides for priority status over other creditors. The same is true for his proposal on restricting creditor rights to veto restructuring. We have already modernised the regime and we are bringing in further changes next year, yet he tries to pretend that there is a solution to something that the Government have already achieved.

Mr. Peter Bone (Wellingborough) (Con): I am listening with interest to the Secretary of State on this point. I am quite sure that chapter 11 or its equivalent is not in place in the UK at present. Is he really saying that the Government's Act is the same as chapter 11?

James Purnell: It is similar. We have a different approach because we have a different legal system but the hon. Gentleman is welcome to read the Enterprise Act 2002 and raise it with Ministers.

In conclusion, the thing we should be doing in the House is protecting people in the short term and helping them for the long term. Instead of scoring partisan points and trying to make rather eccentric use of the figures, the hon. Member for Epsom and Ewell should be focusing on what is right for people. We are continuing to help people, as we have done, and in addition we are making sure that people have proper protection for their mortgages—again improving something his Government left undone. We are making sure that the rapid reaction force is available to people around the country. Most of all we are learning those three lessons: not to fiddle the figures, not to consign people to inactive benefits and, still less, not to slacken the pace on welfare reform. I hope that that is the approach he will be taking.

8.5 pm

Jenny Willott (Cardiff, Central) (LD): I join the hon. Member for Epsom and Ewell (Chris Grayling) in welcoming the new faces on the Treasury Bench. I also welcome the debate; it is good to be talking about such

important issues so soon. When I was looking for an update on the latest figures, I found an estimate produced by the British Chambers of Commerce today that unemployment figures will rise by 350,000 by next year, which shows how important the issue is and how crucial it is that we do something as soon as possible to try to stem the problem.

The recent rises in unemployment have been widespread across the economy in general, but in the main they can be attributed to people who have been unemployed for less than six months, men, those aged between 25 and 49 and those in the north and the midlands. Specific groups need support and help at this time.

In a long-term crisis, we can use indicators to measure the severity of the situation. Looking at those indicators today, some of them are particularly worrying for the future. One of them is the increasing length of time that somebody is unemployed. As it becomes harder to find work, people are unemployed for longer. As we are at the beginning of the crisis, that is not happening yet. However, the number of vacancies relative to the number of filled jobs has been falling recently, especially in certain sectors such as construction, finance and business and other services. That is a worrying indication for the future.

Another indicator relates to average earnings. When times are very tough, earnings grow more slowly as employees' bargaining power is eroded as the job market changes. It is too early to see clear trends, but the latest figures—for June—show that average earnings growth, including bonuses, fell from 4 per cent. at the beginning of the year to 3.4 per cent., which, despite large rises in inflation over the same period, suggests that the bargaining power of employees is beginning to become more limited. That is a worrying sign for the long term.

Mr. Davidson: May I seek clarification as to whether the Liberal party agrees that in these circumstances we need a substantial increase in the national minimum wage? What is the figure that the Liberal party would like to see it raised to?

Jenny Willott: That could be a foolhardy move at this point in time. When a number of businesses are struggling, it could tip some of them over the edge.

Another issue that I want to raise is the level of economic inactivity. When there is a long-term crisis in the economy, the long-term unemployed eventually stop searching for work and leave the job market altogether. Fortunately, we have not yet reached that point.

There are worrying signs, but this evening the Government are clearly taking pleasure in the fact that we are not experiencing anything that looks as severe as the situation at the beginning of the last recession in 1992-93, when the Tories were in power. However, I want to flag up a couple of concerns about the Government's record. The Government have wasted a great opportunity. In 1997, when they came in, there were extraordinarily favourable conditions for introducing radical welfare reform. There was sustained growth, and the Government put a huge amount of money into welfare reform, but the reforms have been patchy at best. There are persistently high incapacity benefit claimant counts and persistent levels of poverty.

Paul Rowen: I am sure that my hon. Friend is aware that there is a part of my constituency where three quarters of people are on one form of benefits or another; I know that the Secretary of State is aware of that, because he visited my constituency earlier this year. Does my hon. Friend agree that that illustrates the fact that the Government have patently failed to do anything to get those people back to work?

Jenny Willott: I share my hon. Friend's concerns. There are areas in the Welsh valleys, very close to my constituency, where there are very high levels of worklessness, which is extremely damaging to entire communities. Despite huge efforts, the Government have not managed sufficiently to reduce persistent poverty levels in the UK. That is one of their failings.

I want to flag up the issue of rising youth unemployment. Gordon Brown—*[Interruption.]* Sorry; the Prime Minister said in 1995, when he was shadow Chancellor, that no young person should spend years without a job, and he pledged that no young person would do so under Labour. However, the new deal for young people has not been as successful as the Government hoped. Youth unemployment is higher than in 1997, and it is rising. It is up 172,000 on its lowest point, which was reached back in 2001. Worklessness among the 18-to-24 age group is worsening for every single category, including those who have been unemployed for up to six months, those unemployed for between six and 12 months, those unemployed for more than 12 months and those unemployed for more than 24 months. It is very worrying for the future that so many young people are unemployed. The figures are significantly worse than they were when the new deal for young people was first rolled out. Worryingly, we are talking about an underlying trend; the recent economic turmoil cannot be blamed for the situation, as the figures were similar last year. That trend needs to be tackled.

The new deal for lone parents, which the Secretary of State mentioned, has been more of a success, although the picture is mixed. Fewer parents with children over the age of 12 have volunteered to participate than was hoped, but it seems to have been reasonably successful; of those who participated whose youngest child was over the age of 12, about half left immediately to go into employment. I am somewhat confused about why the Government are moving lone parents from a programme that appears to be reasonably successful to a sanctions regime under jobseeker's allowance, given that research from the Department for Work and Pensions itself found that lone parents did not respond to sanctions by going into work. They often did not realise why they had been sanctioned, as they were not certain about how much benefit they should have been on in the first place. That is unsurprising, given the rate of error in the benefits and tax credits systems.

My main concern about the changes that the Government propose, and the impact on unemployment, relates to the economic climate, which we are all discussing. Introducing conditionality for claimants will mean that if they do not get work, they will face sanctions or have to go into workfare. That seems to be a wrong target, particularly with respect to those furthest from the job market—those who are disabled, who have been out of work for a long time, who have very low skills levels, who are lone parents or who have additional caring responsibilities. The job market is becoming increasingly challenging for those who are out of work, and employers are increasingly calling the shots. They can afford to be

[Jenny Willott]

choosy, and those who are furthest from the job market are most likely really to struggle to get into work. It seems wrong to make them face sanctions. We should not punish those who cannot get into work. Instead, the Government should do more to work with employers, and to tackle the barriers faced by lone parents, those with disabilities and others. They should consider demand as well as supply.

I take issue with some of the points made by the hon. Member for Epsom and Ewell. Under Conservative Governments in the 1980s, there were more than 3 million people unemployed, a figure that we have not even come close to hitting in recent years. As was highlighted by the Secretary of State, when the figures were looking particularly bad for the previous Conservative Government, rather than tackling the issues, they moved people on to incapacity benefit to get them away from the unemployment figures. That created huge numbers of problems that the current Government are still trying to tackle. It created a hard core of people who have not worked for years, who are out of touch with the job market, and who do not have relevant job skills. It makes it even more difficult for people who are suffering from horrendous physical and mental health problems to enter the job market. The cost to the health service and the economy, and the cost in terms of family breakdown among those who are struggling, has far-reaching consequences for British society, so it is a little rich for Conservative Members to preach to the Government about the problems created by unemployment.

Rob Marris: Does the hon. Lady agree that it is also a little rich for Conservative Front Benchers to criticise the Government for allegedly fiddling the unemployment figures, when, according to my recollection, the previous Conservative Government changed the measure 18 times? This Government have changed it once to bring it into line with international standards and, after that one change, kept it in line with international standards.

Jenny Willott: Governments are known for changing figures to best suit themselves. No Government are immune from that criticism. As the hon. Member for Epsom and Ewell has said, this year, there is almost no point concerning welfare reform on which the Conservative party has disagreed with the Government. It agrees with the Government on the coercive approach that I have mentioned, and about which I have concerns. That approach is particularly worrying at a time of economic downturn. In fact, the Conservatives have been even harsher than the Government on those who face the greatest barriers to work. They have a three-strikes-and-out policy for those who refuse "reasonable" job offers.

The motion mentions helping businesses to

"secure existing jobs and to improve the back to work support available to those who do become unemployed."

My main concern with the motion is that it does not relate to those people who are already out of work. I am concerned that the motion does nothing to support the millions of people who are currently trying to find work, and who are particularly far from the job market. These are worrying times, and unemployment is rising—nobody disputes that. We do not know how long that will continue, or how bad things will get. I agree with the motion on the point that we need to improve back-to-work support. We need to look much more closely at support that is tailored to individuals. We need to look at what works and replicate it. That would be better than getting rid of programmes such as the new deal for lone parents, which seems to have had some success, and replacing them with much more coercive programmes.

I agree with everybody in the House on the need to make more imaginative use of voluntary and private-sector organisations when trying to support people back into work. A lot of things could be done to improve the situation, but we need to be realistic about the jobs market. I have concerns about the introduction of too much conditionality and about sanctions, given the current economic climate.

Mr. Robert Flello (Stoke-on-Trent, South) (Lab): The hon. Lady talks about conditionality and coercion, but the point is actually the effort that is made. It is not about whether a person succeeds, but about whether they are prepared to put the effort in, and nothing else.

Jenny Willott: I agree with the hon. Gentleman that we need to encourage people to put more effort into the process. The issue that I was raising was the Conservative party's three-strikes-and-out policy for those who do not accept a "reasonable" job. Who is to decide what a reasonable job is for a particular individual? That takes us into very murky waters.

Paul Rowen: I am grateful to my hon. Friend for giving way a second time. Does she not agree that, rather than dealing with the conditionality element all the time, we should accept that many people, particularly the long-term unemployed, need support in gaining skills to get themselves into jobs? For the sake of employers who wish to employ those people, use must be made of benefits to support training while people are in work. If the Government had adopted a scheme with much more flexibility—I know that they are now talking about that—we might have got some of the long-term unemployed people who want to work back into work a lot sooner.

Jenny Willott: It is certainly true that the problems that many people faced in trying to find jobs in the past few years arose from skills gaps. In the buoyant job market over the past few years, it is people who did not have the skills who were unable to find work. One of the worrying trends now is that the problem is more likely to be not skills gaps, but the fact that jobs will not be available, however skilled people are. That suggests that there should be a change in emphasis over the next few years.

Paul Rowen: Will my hon. Friend give way?

Jenny Willott: I would rather finish. When we are considering unemployment and how to support people back into work, it is clearly important for the Government to take into account the current economic climate and to make sure that, as was highlighted by the Secretary of State, they do not make the same mistakes as the previous Conservative Government and make the situation worse. They must not penalise those who are struggling to get work and are doing their best, but who are simply unable to find work because of the economic circumstances.

Mr. Deputy Speaker (Sir Michael Lord): Order. Before I call the next speaker, may I inform the House that a 12-minute limit has been placed on Back-Bench speeches? That applies from now on, but the House will see that many Members are seeking to catch my eye, so if hon. Members can take less than their allotted span, that would be extremely helpful not just to me, but to colleagues.

8.21 pm

Sir Gerald Kaufman (Manchester, Gorton) (Lab): I marvel that the Conservative party can even stage a debate on unemployment, and I marvel that the hon. Member for Epsom and Ewell (Chris Grayling) felt it possible to talk about the need to protect jobs. The Conservative party, when it was last in office, destroyed indigenous manufacturing industry in Britain: it destroyed the steel industry; it destroyed the motor car industry; it destroyed the shipbuilding industry; and it destroyed the extractive industries. The Conservatives left a wasteland that the present Government had to clear up and then build on.

In my constituency, we had—I went to see Margaret Thatcher about it when it was in danger, to no avail—an electronics factory that manufactured multi-layer boards. That went under, and it is now a blood transfusion centre. That is one of the legacies of the Conservative party in the Gorton constituency of Manchester. It created a wasteland in which the Gorton constituency was No. 1 in Great Britain for long-term unemployment and No. 1 in England for youth unemployment. We are still above the national average, but the situation in my constituency has been transformed since the Labour Government came to office.

How has the situation been transformed? One of the first things that the Government did when they came to office was to sign up to the social chapter, which the Conservative party said would be ruinous to the country. When we introduced the new deal, the Tory party voted against it in the House. We financed the start of the new deal by the windfall tax, and both the Tory party and the Liberal Democrats voted against the windfall tax when my right hon. Friend the Prime Minister introduced it.

The hon. Member for Cardiff, Central (Jenny Willott) has said that it would be dangerous to increase the national minimum wage at this point. In fact, the national minimum wage is being increased at this point. When our Government, when they first came to office, decided to introduce the national minimum wage, the Conservative party, with its spokesman, the right hon. and learned Member for Folkestone and Hythe (Mr. Howard), said that introducing a minimum wage would increase unemployment. In fact, the national minimum wage, rising regularly and periodically as a result of the Government's decisions, has not only reduced unemployment, but given workers a self-respect that they did not have before.

I had a constituent who, during the period of Conservative Government, came to tell me that his employer—he was a security guard—had increased his working hours from 64 hours to 72 hours alternating, reduced his hourly wage and, what is more, would not pay him overtime. I wrote to the Secretary of State for Employment in the Conservative Government asking her what my constituent could do in those fraught circumstances. She very kindly wrote back to me and said that it was open to him to resign his job. He would, of course, have lost any redundancy benefits, if he had done so. That would not be possible now. Under the social chapter, that man could not be forced to work those hours, and his pay would be protected against the most rapacious employer under the national minimum wage. The present Government have not simply reduced unemployment and increased employment availability to the highest level that this country has ever known, but made it impossible for workers to be treated like serfs, as they were under the Conservative Government.

The projects continue. Even over the past month, two new projects have opened in my constituency, both as a result of Government policies. We have the new east Manchester construction centre, in which people, who include not only young people but men and women, are being trained in construction skills such as kitchen and bathroom fitting, plastering, carpentry and joining, and general construction operations. The centre is funded largely by the Government through the Northwest Development Agency, the new deal for communities and the learning and skills council.

The head of Manchester college, which is involved in the project, made a speech at the opening, which I attended, in which he said that before 1997 the only money that his college was given for job creation projects was £1 million to demolish a building. Now it has been given £50 million for employment projects. Those employment projects are not simply reducing unemployment in the Gorton constituency, but giving people skills, so that they can get better jobs and not be ground down and obliged to take the only job available.

A couple of weeks ago, I attended a graduation ceremony in Gorton monastery, about which I spoke the other day, of people about to be employed in the huge new Tesco that is to open in Gorton later this month. They had an eight-week training period—130 people deliberately and specifically chosen by Tesco in co-operation with Jobcentre Plus, the learning and skills council and Sure Start. I do not know how the Tory party has the nerve to talk about child poverty when it opposed and jeered at Sure Start, which is one of the greatest of a series of projects in my constituency. The Tesco project is exactly what we want in this country today—private enterprise joining with Government and public agencies, including the excellent Manchester city council, in order to provide people with jobs.

When I attended an address at the graduation ceremony for Tesco, I was moved by the way in which people reacted to the opportunities that they have been given. A middle-aged woman said that she had her self-respect back again. That kind of thing is happening only because we have a Labour Government who are carrying out policies based on not some kind of blanket funding, but a one-to-one project. That is the merit of Jobcentre Plus, the new deal and the kind of projects that I have been talking about.

Those are not the only projects that are proceeding. The Minister of State, Ministry of Justice, my right hon. Friend the Member for Delyn (Mr. Hanson), came to Gorton a few months ago to deal with bringing offenders back into paid employment, which is again a Government project joining with private agencies. That is the kind of thing that the Government are doing.

[Sir Gerald Kaufman]

I am proud of this Labour Government. I am well aware that a great deal more needs to be done. In my constituency, we are part of east Manchester regeneration, which would not be possible without the Labour Government and Manchester city council. My right hon. Friend the Prime Minister came to my constituency a couple of weeks ago and opened a £47 million high school that is better than anything in Europe. That was only possible because of Labour Government policies, and, of course, it provided a huge amount of employment for local workers.

The Government have a record that will stand up against anything that I have experienced in my years in the House of Commons. Yes, there is a lot more to be done, and yes, of course, there is huge concern about how the current global crisis will affect employment. I was interested to listen to the hon. Member for Epsom and Ewell offering a solution to the global crisis—it was a bit different from the solution offered by the shadow Chancellor yesterday, but no doubt when the Leader of the Opposition speaks tomorrow he will offer yet a third solution to the global crisis.

What we have in this country today is far from perfection, but it is very, very much better than anything that my constituents have experienced since I was a Minister and did such good things for them. I do not criticise the hon. Member for Epsom and Ewell—he has a job to do and he did it quite nicely—but it is just that it was totally incredible.

8.32 pm

Mr. Roger Gale (North Thanet) (Con): The right hon. Member for Manchester, Gorton (Sir Gerald Kaufman) began his speech by marvelling, so let me marvel just a little at his selective memory. In 1982, following the death of Jocelyn Cadbury, I fought the Birmingham, Northfield by-election. There was a 0.02 per cent. swing against the Conservative party, the smallest swing ever recorded, and I lost the seat by 289 votes. We were accused of cutting jobs at the Austin factory in Longbridge. Employment had gone down, I think I am right in saying, from 15,000 to 9,000, and we were told that we had cut those jobs. The choice was not between 15,000 and 9,000, but between 9,000 and none. Under this Government, the automotive industry in Britain has been decimated.

I happened to take a train through the Northfield site only last week and 98 per cent. of it has been razed to the ground. That is what the Government have done to manufacturing industry, so let us not lay the blame just on the previous Conservative Government. The fact is that the game has changed and the game is changing now.

Mr. Flello: Will the hon. Gentleman give way?

Mr. Gale: I do not have time.

On "BBC News" tonight it was said that retail and manufacturing had fallen and the chambers of commerce said clearly that jobs and business were suffering badly in the real economy. I welcome the Under-Secretary of State for Work and Pensions, the hon. Member for Chatham and Aylesford (Jonathan Shaw), to the Dispatch Box. It is good to see a Kentish Member on the Treasury Bench. In a couple of years he will be on the Opposition Benches, or not here at all. As the Fisheries Minister he was courteous to our fishermen, and I am grateful to him for that. I know that in his present role he will be courteous to the unemployed, and I fear that before long there will be more unemployed than there are fish around the Kentish coastline.

As the Minister knows, Thanet has suffered historically from the highest levels of unemployment and social deprivation in the south-east—among the highest levels in the country. The reasons are not hard to find. Thanet has suffered from an enormous amount of immigration. During the 1980s, the immigration came from around the United Kingdom in what was known as the "dole on sea" syndrome: the unemployed came to the seaside to live on the dole in hotels and guest houses, and Thanet took more than its fair share. That contributed to its unemployed base. The Conservative Government of the time got to grips with that issue, but in 1997 the wave of immigration and asylum seekers began, and that pushed up the figures again. In common with Dover, also on the south coast, Thanet took more than its fair share.

Throughout the 25-year period, Thanet has also been the dumping ground for cared-for children from London boroughs and, shamefully, from some of the home counties as well. Those young people have grown up. Very many of them have been damaged and found it extremely hard to find employment of any kind, so we are used to unemployment in Thanet. However, the county council and Thanet district council have made a Herculean effort to attract inward investment, to promote skills training and to enhance employment opportunities in general and in Thanet in particular.

Thanet college is seeking to relocate to provide training in the skills that the sorts of businesses that we want to attract will require. Thanet council has promoted Thanet Earth, probably the most impressive glasshouse horticultural development in the whole of Europe. It is absolutely vast and its hydroponic techniques are staggering. It is highly environmentally sensitive and represents tomorrow's agriculture. It will employ huge numbers of people, and we want those people to be locally employed. However, the other thing that has impacted on us has been the importation of labour—particularly from the new Europe, but also from aspirant countries on the fringe of Europe.

Yes, agriculture does need imported labour; on that we take issue with current Government policy because, as the Minister knows, agriculture in Kent relies heavily on casual student labour for the picking of fruit. Historically, the hop pickers from east London did the job, but now students come from all over Europe to pick our top fruit and soft fruit—and we need them. However, we also need jobs for local people. The recovery in east Kent has been extremely fragile and what we are seeing now, in the current economic climate, is the shattering of that recovery. It is no good those on the Government Benches saying that we Conservatives are talking the economy down—the economy is down. We are in recession. If the Government choose to be in denial, so be it, but we know that out there in the real economy businesses are closing, shops are closing and people are losing jobs.

You, Mr. Deputy Speaker, wanted me to be brief, and I will be. I want to make two specific pleas to the Minister and two observations to my hon. Friend the Member for Rutland and Melton (Alan Duncan) on

the Conservative Front Bench. I understand that there is a proposal to close the jobcentre in Whitstable, which is represented by my hon. Friend the Member for Canterbury (Mr. Brazier). I am concerned about that because the unemployed people involved—there are 220 at the moment, and the figure is rising daily—would have to come to the Herne Bay jobcentre in my constituency for the assistance that they need. On my estimate, were the closure to happen, there would be 500 extra journeys a month, which I do not consider to be environmentally friendly. It would also impact on staff and the services available to my constituents who use the Herne Bay centre.

I mention the issue not because I believe that the area jobcentre manager is not doing her job well; I am sure that she is—she is trying to maximise her resources. I mention it because I do not believe that now, as we go into a recession with unemployment rising daily, is the moment when this or any other Government should close jobcentres. Those centres will be needed more and more for the foreseeable future. I understand from other colleagues that similar proposals are being made around the country. I mention this now because I believe that the Minister needs to address it immediately in his new role. The game has changed; the economy has changed. Plans that were being laid nine months ago are no longer relevant. We have to look at the situation again.

Another issue that I wish to raise has a direct impact not on today's employment but on tomorrow's employment and the circumstances that we hope to face when, all we will, we come out of this recession—empty property rates. My political colleague who represents the Conservative interest in South Thanet, Mrs. Laura Sandys, has blazed a trail in east Kent on this issue, working with the chambers of commerce. I freely concede that she was ahead of me, but she has been ahead of many Members on both sides of the House, in recognising the damage that is being done by Government legislation that imposes full business rates on empty properties after six months. House building has virtually come to a grinding halt, with all the jobs that have gone with that. The same applies to the building of industrial properties. The right hon. Member for Manchester, Gorton talked about investment in new industrial premises and said that under a previous Government money was offered to pull those premises down. Premises are being pulled down as I speak so that the owners of those empty properties do not have to pay business rates. If we continue down this road, when we come out of recession we will not have the properties or premises that we need. That must be changed, and Ministers have the power to act under existing legislation at the stroke of a pen. This legislation was designed, or dreamed up, for circumstances that existed three years ago but do not exist today. We must change it today, because tomorrow will be too late—it is already too late for buildings in the Medway towns that have already been demolished.

My final point concerns the impact that the current economic climate is having on the elderly. When we think about unemployment, we tend to think of young people; indeed, there are far too many unemployed young people. However, today I took a call from an elderly, dignified lady whose husband is too frightened to retire, although he is well over retirement age. After a long and successful working life, that man, fearing for his savings, his bank balance, his pension funds and his modest investments, is stacking tins in a supermarket at night to ensure that his wife does not go hungry. That is the reality of the economic situation that our constituents face.

8.42 pm

Nigel Griffiths (Edinburgh, South) (Lab): The Conservatives are not brave about many things, but they are certainly brave in tabling today's motion on unemployment in the United Kingdom. They are surely the experts on unemployment, for they gave unemployment to every region, every community and every sector. In Edinburgh, South, their political heartlessness combined with their economic incompetence to leave a legacy of more than 2,000 people on the dole in 1997. That is the golden legacy that they hark back to. Now, in the seat of Edinburgh, South, within large boundaries, unemployment stands at 667—it has fallen by more than two thirds. That means that 1,372 fewer people are now worried about applying for jobs, seeking employment and where they will get the money that they need for themselves and their children.

In the past year alone, unemployment has fallen by 8.3 per cent. and more than 333,000 people have entered work. That has given the UK an all-time record employment figure of 29.5 million. Of course, none of this happened by chance—it happened by choice when the Government chose to levy £5 billion as a windfall tax on the excessive profits of the utilities to fund the new deal. Instead of 3 million languishing on the dole, unemployment recently fell to its lowest level since 1975. Our choice was to bring long-term unemployment to its lowest for 30 years. The Tory choice would have been no windfall tax, no new deal and not even a minimum wage to stop exploitative employers. But then, as the shadow Chancellor made clear on 17 September,

"making...money out of the misery of others...is a function of capitalist markets."

Alan Duncan (Rutland and Melton) (Con): He never said that.

Nigel Griffiths: He certainly did say that.

Those are their values, not ours. It was their choice, not ours. It was their 3 million on the dole. Our choice was to help to create 3 million more jobs than there were in 1997, putting more people in work than at any time in our history. It was this Government's choice to give the UK one of the highest employment rates of any advanced manufacturing country—it is higher today than that of France, Italy, Germany, Japan or even the United States of America. So far this year, every weekday, 10,000 new vacancies have been posted. With 600,000 vacancies, 90 per cent. of those losing their jobs and seeking another one find work within a year, while 80 per cent. find one within six months.

This motion was tabled by the party that regrets rien and labels as unemployed parents with very young children, the most severely disabled people, carers of disabled children and frail elderly people and the bereaved. Doubtless, the Opposition think that they should pick up their spirits and get on their bikes. Those are the very people—the disabled and others—that the Opposition pretended to care about in their welfare reform proposals of 27 May, when the hon. Member for Epsom and Ewell (Chris Grayling) claimed that they would be

[Nigel Griffiths]

exempt. But now, just four months later, here in the House, the Opposition have counted them in, as we knew they always would.

The task of Government is to tap into the talents of every citizen. That is what the record number of university and college places is about, and it is why we have more than tripled the numbers of apprenticeships. Let us remember that other Tory legacy: 75,000 apprenticeships in 1996-97. Now there are 255,000, with 70,000 alone in manufacturing. But it does not stop there. This Government are committed to ensuring that every 17 and 18-year-old has an apprenticeship, a college education or skilled schooling to allow them to maximise their potential. And it does not stop at that either. We are committed to the £1 billion Train to Gain programme, which will allow businesses to invest in the training and retraining of their work force to meet the skills challenges all businesses face.

There must be no return to the mass unemployment, despair and poverty that ravaged many communities in the 1980s and 1990s. For this country to ride out these economic storms, and for us to prosper in the decades to come, we must tap into the talents of every person in every part of this country. As a nation, we cannot afford to neglect the talents of anyone, regardless of race, creed, ability or disability. That is the path we must choose.

8.48 pm

Mr. Douglas Carswell (Harwich) (Con): I will be as brief as I can. I am very concerned about unemployment, especially in Harwich and Clacton in my constituency. In August, male unemployment stood at about 6 per cent. and it is rising. Even before the full impact of the debt-fuelled recession is felt, unemployment in my constituency is high. I am concerned about unemployment and its grim consequences for my constituents.

Like many seaside towns, Clacton, Walton-on-the-Naze and Harwich have all suffered economically in recent years, and we have yet to see much of a vision on how to regenerate such resorts. Unemployment nationally is rising by something like 1,000 a day, and many of those folks are my constituents. Indeed, unemployment in Clacton could be increased by 50 in the next few weeks, by the Government's decision to close the Revenue and Customs office. The raw data on unemployment hide other facts that should concern us. Almost one in five people of working age are classed as economically inactive. Despite all the Government's boastful claims, the rate of economic activity today is virtually unchanged from what it was a decade ago.

I am concerned that many of those who are not formally regarded as unemployed are being let down. They are not being helped back into work and, with a looming debt-created recession, they will find it even harder. I am especially concerned about long-term youth unemployment in Clacton. Far too many young folk in Clacton are not in employment, education or training and, to be frank, the new deal does not really do much for them. Rather than recognising the problem, the Government are, I fear, just cooking the statistics. Young people claiming jobseeker's allowance for six months, for example, are automatically referred on to the new deal. If they fail to get a job on the new deal, they can be moved off jobseeker's allowance, on to the so-called training allowance. They disappear from the official statistics, but believe me, they do not go away—they are there in Clacton. I want to know what the Government will do to help.

I am concerned about how rising unemployment will affect those on incapacity benefit. Some 2.6 million people are claiming incapacity benefit, which is three times more than the number on jobseeker's allowance. I fear that incapacity benefit could end up being used as a way of trying to force unemployed people off jobseeker's allowance—indeed, some say that that is already the case—which could make it much tougher for those who genuinely need incapacity benefit to receive it. If incapacity benefit becomes a substitute system of jobseeker's allowance, that will not help anyone.

Finally, some eight out of 10 jobs created have gone to immigrant workers. I have always strongly disapproved of the phrase "British jobs for British workers". It is a phrase that the Prime Minister used, which was extremely ill judged. The phrase had some unsavoury tones of economic nationalism and, as a free-market liberal, I found it offensive. The phrase is one that I would have expected to hear in the 1930s, not in Britain today. However, the new jobs created have disproportionately tended to go to people who were not born in the UK. I suspect that that is a fairly damning verdict on the Government's education policy. They have simply failed to ensure that we have an education system that delivers the level of skills needed.

The Government have had a decade of extraordinary growth. The sun has shone. However, they have failed to reform welfare to help people into work. They have failed to listen even to voices on their side, such as that of the right hon. Member for Birkenhead (Mr. Field), and to implement some of the proposals that he has made over the years. The Government have failed to produce an education system capable of providing people with the necessary skills to take the jobs that are available. With the Government having failed while the sun was shining, to coin a phrase, we now face a serious problem of unemployment, as the economy goes from boom into bust.

The tone of Labour Members in this debate has all too often been one of indignant outrage that the Conservative party should dare even to talk about unemployment. Their indignant outrage is matched only by their references to the past—to history. That shows that after a decade of being in government, Labour Members are out of touch. The rising tide of unemployment that we now face has increased and will increase on their watch.

8.53 pm

Mr. Jim Devine (Livingston) (Lab): I once had the great privilege of working for a very clever psychiatrist, who told me never to listen to what anybody says, but always to watch behaviour. I want to deal with the behaviour of the Conservatives when they were in power.

Like other hon. Members, I congratulate the Conservatives on having the audacity to call a debate on unemployment, particularly this week, which has seen the anniversary, on 5 October, of the Jarrow march, when 200 men walked from Jarrow for 22 days. They

collected 12,000 signatures to a petition, which was unprecedented, to campaign about unemployment. The anniversary was this week.

I want to talk about my personal experiences of unemployment from when the Conservative party was in power. I am a 55-year-old—I know that I look a lot younger—and I had friends who left school in the late '60s and early '70s. I had not one friend who left school who did not have a job. People left at 15 and went into labouring. Others left at 16 and went into apprenticeships. People such as myself left at 17 or 18 and went into further education. I remember this as a rite of passage. We left school and were part of society. We felt that we had status and standing, and we received a pay packet or a loan. There was something very special about it. It was our contribution to society, and it was about saying that we had a role in society.

In fairness to the Conservatives, every Government, Tory or Labour, since the late '20s and early '30s have been committed to full employment. As Harold Wilson once said, the Labour party is a campaign against poverty, or it is nothing. Tory MPs from Macmillan through to Ted Heath were committed to full employment, but that changed under the premiership of Margaret Thatcher. It is naive for the Conservatives to pretend that they have changed, because many of them are still part of the No Turning Back group. They still believe in the basic Thatcherite philosophies that we had to suffer in the working class communities in the late '70s and early '80s. We had a Thatcherite Government who were prepared to indulge in a financial experiment that had an impact on individuals, their families and their communities.

Unemployment in parts of my constituency rose to 26 per cent. all the way through that time. I have seen the lump in operation—it was something that my granddad had told me about. For those who do not know, when the Tories were in power, men—there could be up to 25 of them—had to assemble at a pre-determined place and a builder would come along and pick five of them. He would take them away to a building site for a day, without any training, health and safety or access to a trade union. At the end of the 12-hour day, he would put £10 in their hands. This is what happened. Those unemployed men then had to go through exactly the same process the following day. It was demeaning and humiliating, and it was meant to be.

The film "The Full Monty" brilliantly characterised what was happening in working class communities at the time. The leading character, played by Robert Carlyle, was a man who had to steal lead so that he could take his child to the football on a Saturday. Then there was the manager who left his house every single day at the same time, dressed for work and carrying his briefcase, because he was too ashamed to tell his wife that he had been made redundant. A third character was a man who could not perform in the bedroom because the Tories were not allowing him to perform in the workplace. His dignity and his status had been taken away from him. The fourth senior character in the film was a man who tried to kill himself, because that was the logic of Thatcher's view that "there is no alternative". He took that logic to its natural conclusion. If that was what life was like on the dole, with no status, no standing and no ability to provide for his family, he did not want anything to do with it.

I worked as part of a primary care psychiatric team in my constituency. I watched patients coming to the health centre and being prescribed anti-depressants and Valium. If they had been prescribed a job, they would not have had to go anywhere near that health centre.

Mr. Bone: I am very interested in the hon. Gentleman's powerful speech, but I would like to bring us back to the 21st century. Is he not at all concerned that unemployment in his constituency has gone up by 8 per cent. over the past year?

Mr. Devine: I will deal with the current unemployment levels in my constituency at the end of my contribution.

Working as part of the primary care psychiatric team, I used to make appointments at 9 o'clock in the morning for such individuals. The reason was that the appointment was the only thing that they had to get up for—the only thing to get dressed and washed for, and to get out of their beds for. There was an appalling impact on the community in which I was born and brought up. We saw the destruction of individuals and their families and the break-up of marriages. That was the reality in such communities, and in the community that I represent.

Mr. David Anderson (Blaydon) (Lab): Does my hon. Friend agree that the real difference between then and now—it is right to look back—is that what happened in his constituency, as in mine, was the direct result of Government policy, whereas what is happening today is outside the Government's control?

Mr. Devine: I was about to come to that point.

We should remember this financial experiment and its consequences. We were told that mass unemployment was an accident of central policy. But mass unemployment was the central part of the strategy of that policy. We know that because we can remember Tory Ministers saying at the time, "High unemployment is a price worth paying," and, "If it isn't hurting, it isn't working." In my constituency, it certainly hurt. I find the Conservative party's crocodile tears about the unemployed hard to take. I believe in what my psychiatrist told me: "Never listen to what somebody tells you. Watch behaviour." When the Conservatives were in power, their behaviour destroyed my community and many others like it.

On the question asked by the hon. Member for Wellingborough (Mr. Bone), I am delighted to tell the House that unemployment in my constituency today is at 2.4 per cent. That is down from 20 per cent., and 26 per cent. in parts. It is no accident that unemployment is down to that level. It is the result of the Labour Government's calculated strategy, to which reference has been made. I am a socialist, passionate about the Labour Government, and very proud of them. The aim and objective to create full employment, as we said 11 years ago, has been achieved. Yes, we have difficulties, which, in the main, are outwith our control. But we should ensure that the Conservatives never get their hands on the levers of power again, because we remember exactly what they did.

9.2 pm

Mr. Stephen Crabb (Preseli Pembrokeshire) (Con): It is a pleasure to follow the hon. Member for Livingston (Mr. Devine), whose contribution was impassioned and

[Mr. Stephen Crabb]

at times entertaining. I must take issue, however, with his claim that those on the Government Benches have a monopoly of concern and interest in unemployment. We would take that claim more seriously were any of them willing to engage with the current circumstances.

I congratulate those on my Front Bench on securing this debate at a time when the international economy and financial system is undergoing a trauma that none of us has seen before in our lifetimes. As someone described it to me last night, the pieces have been thrown up in the air, and we do not know whether they will fall down in the same place—they will probably not—and how they will fall down. We do know, however, that real economic pain is starting to be felt.

I think that the hon. Member for Livingston—forgive me if it was not him—called out "Rubbish" when my hon. Friend the Member for North Thanet (Mr. Gale) talked about some of the economic difficulties being felt in his constituency. However, that is the reality. If we talk to any of the major recruitment agencies—perhaps some Government Members will have the opportunity to do so in the next 18 months—they will tell us that there is a freezing-up of recruitment in certain important sectors in our economy. This is not just a banking and financial crisis. The real economy is starting to slow down, and a real economic chill is starting to set in.

I want to focus on an issue that has been mentioned in passing by several hon. Members—youth unemployment, in which I take a close interest. Ministers have claimed repeatedly at different times in recent years that long-term youth unemployment has been virtually eradicated or wiped out. Unfortunately, the statistics simply do not back that up. Those who do not believe the statistics should go down to any town centre in the middle of a working day. In most constituencies, they will see large numbers of young people doing nothing with their lives.

My hon. Friend the Member for Harwich (Mr. Carswell) hit the nail on the head when he said that although we had experienced 10 years of good times—or relatively good times—involving sustained economic growth, the operation of a flexible labour market and the falling of the headline unemployment rate, during those good times there had been no success in tackling the hard core of youth unemployment. In fact, it has become worse. That represents a major stain on the reputation of the Government who were elected in 1997. I seem to remember from their election campaign that one of their five key pledges was to bring down youth unemployment, but what has actually happened is that youth unemployment has increased.

In 1997, the Prime Minister—with, no doubt, his famous moral compass buzzing—described youth unemployment as a "human tragedy", as "sickening" and as "an economic disaster". Those are the terms on which we should hold the Government to account. At the time, the Prime Minister asked

> "How did a society like ours get itself into a position where we are wasting young people's talents like this?"

We can ask exactly the same question here in 2008. The Prime Minister said at the time that

> "staying at home is not an option",

and that it would not be an option. Well, it is, actually, for too many young people; for 1.2 million young people, staying home or hanging out on the streets is an option.

That is the scandal of youth unemployment that is on the Government's charge sheet. At a time of sustained economic growth with, as near as dammit, full employment in many parts of the country, when the cohort of 16 to 24-year-olds is shrinking slightly as a proportion of the overall population, why should there be a 70,000 increase in the number of people of that age who are not in education, employment or training? My constituency is in Wales, and in Wales the position is even worse. Nearly 20 per cent. of 19 to 24-year-olds are doing nothing constructive with their lives. Research commissioned by the Prince's Trust suggests that youth unemployment is costing the country £3.6 billion a year.

What has let the Government off the hook over the past 10 years is the fact that we have benefited from a large influx of migrant workers. I for one do not consider it a negative development that people have come into our country with skills, drive and entrepreneurial initiative—it is a good thing that they have come into this country—but it has let the Government off the hook. They have not seriously had to tackle the long-term problem of youth unemployment.. The fact that 1.2 million young people are not in work has not caused severe economic problems, because the gaps in the labour market have been filled by migrant workers.

Reference was made earlier to the role of Jobcentre Plus offices. I for one have spent significant amounts of time with my two local offices. I have huge admiration for the staff, who are trying to do an excellent job, but they are very clear about what they can and cannot do—about what they are cut out to do and what they are not cut out to do. During my discussions with them, they have made clear that they are simply not in a position to address the multiple and complex needs of many newly unemployed young people who do not have the basic life skills and basic literacy to perform even very basic jobs in the modern labour market.

During the summer recess, I spent some time with my local Prince's Trust organisation. It has a fantastic training centre at Pembroke Dock. Although it is in the neighbouring constituency of Carmarthen, West and South Pembrokeshire, a significant part of the client base comes from my constituency. I participated in CV-writing workshops, and in all sorts of other activities. That is an example of a third sector organisation that is trying hard to rescue a lost generation of young people and give them back some self-esteem and direction in their lives, or at least to return them to the lowest rungs of the ladder, which will hopefully lead to sustained employment in due course.

I make the following appeal to the Government. At a time when businesses are starting to suffer, we should also remember that the charitable sector is starting to suffer as a direct result of the economic downturn, and there are organisations such as the Prince's Trust and Fairbridge that provide strategic work in this area. A recent survey—it was published today, I think—by the Association of Chief Executives of Voluntary Organisations pointed out that there has been a 72 per cent. increase in demand for charities' services, that 88 per cent. of chief executives of charities expect their income to fall as individual and corporate donations decrease, and that

30 per cent. of charities say they have been forced to make redundancies. I know the Government recognise the role the voluntary or third sector plays in working in conjunction with the private and public sectors to tackle long-term—and in particular youth—unemployment, and I appeal to them to recognise the particular pressures it might be facing at this time.

9.10 pm

Albert Owen (Ynys Môn) (Lab): It is a privilege to follow the hon. Member for Preseli Pembrokeshire (Mr. Crabb) because I do not accept that there is the doom and gloom he talks about in Wales, but I do remember recent history when there was real doom and gloom in my constituency. For the record, benefit claims have dropped by, I think, about 70 per cent. in the hon. Gentleman's constituency. That is a success in the last 10 years that he failed to mention.

Mr. Crabb: No one is questioning the headline unemployment figures; there is no point in trying to score points on that. The point I was trying to make is that, underlying those headline figures, are deeply entrenched problems around long-term and, in particular youth, unemployment. That the hon. Gentleman responds by simply referring to the headline figures shows that he has not been listening and that he understands nothing about the problem we are discussing.

Albert Owen: With respect, before being elected to the House, I was a manager in a centre for the unemployed in Anglesey, and I dealt very much at the front line with youth employment—and with many issues such as lone parents. The centre I managed offered advice, training and support for the unwaged. so I think I do have a bit of experience in this field, and I wish to develop an argument that will defend what I have to say.

The centre was established in an area of very high unemployment in the 1980s, or re-established I should say, because the centre for the unemployed was originally established in the 1930s, and the sad fact is that unemployment in the 1980s under the Conservative Government mirrored that of the inter-war years of the 1930s, when we had mass male unemployment. In the 1980s, we had male unemployment in my constituency—I hope the hon. Member for Preseli Pembrokeshire is listening now—of 25 per cent. A quarter of the male population was unemployed.

David T.C. Davies (Monmouth) (Con) *rose—*

Albert Owen: I will not give way at present, as the hon. Gentleman has just come in and we are nearing the end of our debate.

The Conservative legacy in my constituency was threefold: mass redundancies, mass unemployment and mass depopulation. My constituency of Ynys Môn or Anglesey was the only county in England and Wales that in two successive censuses—those of the '80s and '90s—saw a decline in its population. That decline was caused by high unemployment, when young people and their families had to leave the area to find employment elsewhere. That is the legacy of the Tory years of the '80s and '90s.

So let me give the answer to the question about what the Conservatives did for Anglesey or Ynys Môn: they gave us two decades of mass unemployment, decline and stagnation, and two recessions—deep recessions that bit very hard and hurt the people I was helping out in my previous job. My hon. Friend the Member for Livingston (Mr. Devine) mentioned the famous, or infamous, comment by Lord Lamont—and we know who was advising him at the time—that unemployment was a price worth paying. My constituents, young and old, actually paid that price over the two decades of the '80s and '90s.

The story of the last 10 years is rather different. Unemployment—both headline and real—is down considerably. Employment levels are up by some 7 per cent. One of the highest increases in Wales is in my constituency, where we have seen a 29 per cent. increase in employment levels. That is the real story of Wales today under this Labour Government, compared with Wales in the '80s and '90s under the Conservative Government.

That did not happen by chance. The new deal for the unemployed was a policy, paid for, as has been said, by a windfall tax on the utilities. I am rather fond of windfall taxes, and I have tried to encourage the Chancellor of the Exchequer to go down that road again to help to tackle some of the root causes of hard-core unemployment that the hon. Member for Preseli Pembrokeshire discussed. This Government invested in helping the unemployed back to work through that scheme and others. Labour Members rightly believed that unemployment was not a price worth paying—it was a problem worth sorting. During the past 10 years, we have done our best to sort that problem out.

Labour also introduced the minimum wage, and, again, that did not happen by accident. The policy was opposed by the Opposition. I hear today that the hon. Member for Cardiff, Central (Jenny Willott), who speaks from the Front Bench, is not happy that we are raising the level of the minimum wage; I am not sure whether that is Liberal policy. I recall that when the minimum wage was introduced in my constituency, the wages of hundreds of families doubled from £1.80 an hour to £3.60 an hour, giving dignity to families young and old.

By August, unemployment in my constituency had fallen to 4.2 per cent.; it had reduced by 53 per cent. Too many people remain unemployed, but Ynys Môn is not now top of the Welsh league of unemployment; it is halfway down that table, and the levels are well below those of the 1980s. There are black spots of unemployment in my constituency, which is why I intervened on the Secretary of State about the proposal by the Department for Work and Pensions to close a job centre in one of those black spots. It is located in a rural area where it is difficult for people to get to other job centres, as they will be required to do. I understand the back-up provided by the internet and various other things at the contact centre, but that contact centre will be moved. I am glad that he has agreed to meet me, because it is the wrong time to close job centres when unemployment is undisputedly rising. I hope that the closure of the centre at Amlwch in my constituency will not go ahead and that people will be able to get the face-to-face contact that they deserve.

This economic downturn has been caused by a number of factors: the world credit crunch; the global financial crisis, which we have debated today, and high fuel prices and energy costs. They are having an impact on businesses

[Albert Owen]

in my constituency and across Wales and the United Kingdom. A cut in jobs is inevitable, but I believe that the UK is better placed than it was in the 1980s and 1990s, when two deep recessions had an impact on constituents across the UK.

The largest employers in my constituency include an aluminium smelter works and Stena Line at the port of Holyhead, both of which face major challenges from the high increases in fuel prices, as do other companies. All energy intensive users across the UK, from paper mills to brick and cement works and aluminium smelters, face similar problems. I declare an interest, because I chair the all-party group on the aluminium industry. Electricity prices are too high in the UK, they make British manufacturing less competitive and they could lead to big job losses. According to *The Times* yesterday, the price of electricity in the UK is four times higher than in France.

David T.C. Davies: One of the reasons for that is the cost of the renewables obligation commitments, which is being put back on to the customer. The rate of unemployment looks so low because many people are on sickness benefits, and the reason why so many people have extra jobs is because they came here from abroad.

Albert Owen: The hon. Gentleman has just come into the Chamber and has not listened to both sides of the debate or even to the debate about the financial situation. One of the reasons why electricity costs four times more in the UK than in France, and costs more than in Germany, is the lack of capacity. That lack is exacerbated by the fact that we have not built enough nuclear power stations over the past 20 years. Some 80 per cent. of France's electricity comes from secure sources of electricity—nuclear power—and France is able to keep its price low.

Rather than gibber about various issues that have arisen in the debate, I have raised a specific point that I would like the Government to address. I am pleased with their record and what they have said on new nuclear build. Indeed, I have campaigned for new nuclear build in my constituency, but I have been very disappointed by the Conservative party. It is dithering on nuclear power stations, trying to use the policy as a last resort, when we all know that it takes a decade for them to go through the planning system and be built. I am prepared to take an intervention from a Tory Front Bencher on that point—[*Interruption.*] Well, I would "Get with it" if I knew what the Conservative policy was. As I say, I will take an intervention from the hon. Member for Rutland and Melton (Alan Duncan)—[*Interruption.*] He says that I am out of date, but I am not sure what has changed since their conference last week.

David Taylor (North-West Leicestershire) (Lab/Co-op): The hon. Member for Monmouth (David T.C. Davies) echoed a remark by the hon. Member for Harwich (Mr. Carswell), and they both displayed a breathtaking chutzpah in suggesting that unemployment figures are being massaged by the decanting of claimants on to incapacity benefit. The Thatcher Government created invalidity benefit and saw a huge surge in the number of claimants. The number has floated up slightly over the last 11 years, but the huge growth occurred much earlier.

Albert Owen: I am grateful to my hon. Friend who has been in and out of the debate, unlike the hon. Member for Monmouth (David T.C. Davies) who has just come in. That point has been addressed by many Labour Members, because the Thatcher Government not only massaged the figures, but they did so 18 times to mask unemployment levels. They put people on to long-term sickness benefit, contributing to long-term unemployment in many areas.

The other big employer in my constituency is transport, including the port of Holyhead, and fuel prices are having an impact not only on road hauliers, but on the ferry companies that use a lot of fuel to get people and goods across the Irish sea. I hope that the Government will take that on board. I welcome the fact that the Chancellor decided against the duty increase this autumn, because that will help the road hauliers, but more has to be done to help intensive fuel users such as fast ferry companies. They transport people and goods to help the economy to keep moving at full speed.

I have raised challenging issues for my constituency and they need to be addressed. The Government are not running away from their obligations, but it is right for Labour Members to remind people of recent history. The hon. Member for Harwich (Mr. Carswell) is not in his place at the moment, but I know that the Conservatives would like to forget recent history and their record on employment and unemployment. We need to secure existing jobs and provide opportunities and hope for the long-term unemployed. That is why it is worth investing in skills for our young people and in re-skilling older people.

We must help those who are still on long-term unemployment or sickness benefit to get back to work. I have said on many occasions that I want to see a carrot-and-stick approach to that, but I want the carrot to be bigger than the stick. We should help and encourage the long-term unemployed back to work.

The Government were right in 1997 to tackle mass unemployment and to put that at the top of their agenda. They were right to introduce the new deal, which has been a success in my constituency and many others in Wales, including Preseli Pembrokeshire, which has seen one of the largest falls in unemployment of the past 10 years under this Labour Government. They are also right to invest in people and communities. Getting people off unemployment benefit is a price worth paying. The immediate prospect of global and financial turmoil will be challenging, but we must remain focused on the need to modify and reform the welfare state by giving support and hope to our people, instead of returning to the bad old days of mass unemployment in the 1980s, which still scar my constituency and many others across the UK. We must move forward, not back to those days.

9.24 pm

Mr. Peter Bone (Wellingborough) (Con): It is a great pleasure to follow the hon. Member for Ynys Môn (Albert Owen). Although I did not agree with everything he said, I certainly agreed with him on the subject of the closure of jobcentres. It seems to be a strange time to be closing jobcentres when it looks as though there will unfortunately be a lot more unemployment. I noted that unemployment in Ynys Môn increased by 7.8 per cent. last year, so the trend is going up. I also want to refer Members to my entry in the Register of Members' Interests.

I thought that the debate was generally most interesting and that it tried to be constructive where possible. The most important issue to come out of the debate was the fact that the shadow Secretary of State pledged the Conservative party to a chapter 11 proposal, but I do not think that the Secretary of State understood the situation. Chapter 11 gives companies the time to reconstruct, to go to court, to get the whole thing on a level playing field, to get their business in order and to continue to trade. That does not happen in this country when companies go into administration. As my hon. Friend the Member for Epsom and Ewell (Chris Grayling) said, the banks come along and close the company down, and there is no method to save that company. That, of course, leads to increased unemployment.

I thought that those on the Government Front Bench were very complacent about the situation. We clearly have a boom-and-bust situation. I know that the Prime Minister kept saying that that would never happen, but if we are not careful, we will have the worst bust for more than 100 years. Unless a Government recognise a problem, they will never put it right. Now I have said that, I hope that I can be more constructive in my comments.

I have heard time and again how the wicked Tories left the country in a terrible mess last century, in 1997, how everything was evil and how it was terrible for people, so I thought that I had better look up the unemployment figures for Wellingborough in August 1997. Unemployment then was at 1,678. That must have been terrible, because we have heard time and again that it was the pits and that the whole world was going down at that time. Unfortunately, unemployment in Wellingborough today is at 1,710, an increase since 1997. Instead of there being a wonderful economic miracle up until now, the economy in Wellingborough has gone backwards. If it has gone backwards when there have been good times, what on earth will happen during the bad times that are just around the corner?

Let me make a point on a serious note, which I hope will worry the whole House. We have in Wellingborough a good multicultural society. We have people from all races in the town and we have had for a long time. I run a "Listening to Wellingborough and Rushden" survey, which tracks people's concerns. Until a few months ago, immigration never appeared in that survey as a problem. It is now coming out as the first or second issue. I could not understand how that could have changed, but it is actually to do with unemployment. If we look behind the headline subject of immigration as the No. 1 issue, unemployment is the problem.

Let me give an example. A new supermarket opened in the town and needed to take people on. Let us imagine that we were the manager of that store. A Polish worker might come along, smartly dressed, and say, "I used to work in a store in Poland. Please give me as much overtime as possible. I don't mind working nights; please give me as much work as possible." On the other hand, someone from the jobcentre might first ask, "How much holiday will I have?" and say, "I can't possibly work weekends." It would not be unreasonable as store manager to give the job to the Polish worker. The problem is that the person from the jobcentre, who is British, would get offended. It takes only a few evil people from the British National party to come along and exploit that situation.

We never had any problem with the BNP until a few months ago. A BNP candidate stood in a safe Conservative ward, which we won quite securely. However, the Labour party, the traditional party that came second, was pushed into third place. So we have gone from being a town that did not have a problem to being one that does. I am sure that that problem is being repeated across the country. I do not know the solution, but it is a real problem. Unemployment is going up, while migrant workers are coming in, and the BNP says that they are stealing British jobs. That is not true, but that is what the BNP makes out, and the worse the recession and unemployment become, the greater is the danger that those evil extremists will come into our society. I hope that we can work together to address that problem.

A particular additional problem in Wellingborough is that we are part of a growth area. The existence of lots of new houses and new migrant workers means that people can see the change that is taking place, and I have to tell the Minister and other colleagues that we must look at the problem. We must not be scared to address it, as we must find some solution to it.

9.31 pm

Mr. Ian Davidson (Glasgow, South-West) (Lab/Co-op): In the first 10 years of this Labour Government, unemployment in my constituency came down by 50 per cent., youth unemployment came down by 80 per cent. and long-term unemployment came down by 90 per cent. Those are statistics of which the Government and I can be proud, and they represent one of the best things that this Government have done.

However, we have to recognise that the economy is on the turn. Male unemployment in my constituency has gone up to 10 per cent. We clearly face a problem with the hard-core unemployed, and I very much regret that we missed an excellent opportunity when the economy was booming to move many of those people into employment. We should have allowed the market to pull them into jobs, but instead we acquiesced in a policy of unlimited immigration.

The colleague who has just spoken, the hon. Member for Wellingborough (Mr. Bone), was undoubtedly right to say that many of the jobs that the market would have filled with people who were otherwise difficult to employ have been filled instead by eastern European migrants. As he said, an employer might have to choose between a person from eastern Europe who is highly skilled, motivated and educated and someone who has not worked for 10 years, who has a problem with drink or drugs or who has difficulties with attendance. Who will that employer select? The answer is a no-brainer. In my constituency, vacancies were not made available to people who would have benefited very much—given the right supervision and support—from those opportunities.

None the less, we have to recognise that what the Government are proposing is absolutely necessary. In the main, the proposals are excellent but, for constituencies such as mine, they are not sufficient. There are three areas in which I think that the Government must take some action.

The first relates to what I said in an earlier intervention on the Secretary of State, when I spoke about the old community programme. The private sector and the normal routes to employment are not going to cope

[Mr. Ian Davidson]

with the hard-to-place individuals to whom I have referred. If we are going to get them into the habit of work and attendance, so that they experience the pride that comes from making a contribution, we will have to create an agency similar to the old community programme. Perhaps it could be called the new community programme, but we need something that will allow the voluntary sector or local government to offer such people employment opportunities. In the present competitive environment, it would be unfair to expect the private sector to carry people who undoubtedly will be less productive than other workers in the same circumstances. Something needs to be done in that regard. Although much is already being done, it is not sufficient.

The second issue that we need to address is how the benefits system interacts with getting people into work. People are not always convinced that they will be better off in employment. I believe in incentives in those circumstances. It is not clear to me or to people in my constituency that they are genuinely always better off in work. The complexity of the benefits system cannot be explained to people who have some difficulty with literacy or numeracy; indeed, it cannot be explained to many people who have no difficulty with literacy or numeracy. It is unclear whether people will be better off.

There is a loss of benefits for many people who get employment. They lose council tax and rent benefits, and they lose in a number of other ways. That interaction means either that people are being invited to go into employment for almost nothing or that, as shown by the evidence given to me by local citizens advice and information centres, they are actually worse off. In those circumstances, it is entirely comprehensible and rational on economic grounds that people do not seek employment. That is why we need to decomplexify, if such a word exists—

Rob Marris: Simplify.

Mr. Davidson: That is a much better way of putting it. I thank my colleague for that intervention.

We need to simplify the benefits system, but we must provide greater incentives. If people believe that incentives of a financial nature are necessary for the masters of the universe, they must also be necessary for those at the bottom of the economic pile. We have to recognise that the national minimum wage at its current level does not provide sufficient incentive in all circumstances, when taking into account all the benefits that people will lose. We need to address that question, and I am very disappointed that the new Liberal party policy seems to be opposed to any increase in the national minimum wage.

As I understand it, the Liberals have now swung to the right. The first clear evidence that they are deserting the traditional caring aspect they embraced under previous leaders may be that they are distancing themselves from any prospect of an increase in the national minimum wage. I deplore that, and I am sure that the vast majority of my colleagues do, too, although I do not want to make too much of a meal of it. I simply draw to the attention of the House the fact that the Liberals are opposed to increasing the national minimum wage.

My final point is about Scotland. Many Members will be aware that the Scottish Executive have promised that money from Qatar will flow like water, that Qatar will provide an alternative to PFI and PPP and that Qatar will provide funds for public finances and for the private sector. Many Members will have noticed that the nationalists have disappeared from the Chamber. They did everything but intervene when I raised the point earlier.

Many Members will be aware that in the past the nationalists said that Scotland's oil would be the answer to the nation's problems. Now it appears that Qatar's oil will be the answer to Scotland's problems. Again, I do not particularly want to make a meal of that fact—I just draw it to people's attention. I am sure that the Qataris will be very unhappy that their name has been used to intervene in domestic British politics in this way.

I have been invited by madam gamekeeper not to go beyond 9.40 pm, so I draw my remarks to a close. When we discuss employment, people in my constituency remember that we cannot trust the Tories. We could not trust them in the past, and we cannot trust them now. I do not accept that they are serious about trying to combat the evils of worklessness.

9.38 pm

Alan Duncan (Rutland and Melton) (Con): Our debate this evening takes place against the backdrop of increasingly serious economic difficulty. Over the past few weeks, we have seen great turmoil in financial markets, and Members on both sides of the House share concern that it risks turning into turmoil in labour markets. Unemployment is a scourge. We have to work together across the House to confront enormous economic difficulties, which none of us can wholly understand, to try to do our best to ensure that they do not turn into the unemployment and human misery that the debate is all about.

I am afraid that by the end of tonight's proceedings, we will all have painted a rather depressing picture of what might be coming down the track at us. When it comes to the problems that we want to confront, the starting point is not really one of which the Government can be proud. It is not a proud boast that after 10 or more years of economic prosperity, unemployment stands at "only" 1.7 million. Let us compare that with the situation in many of the years that speakers have mentioned tonight; it is triple what was seen as an absolutely unacceptable level of unemployment in the 1970s. The starting point is not a happy one, which means that what will follow may be extremely serious.

The climate for future employment is not healthy, and one reason why is that after the 10 years to which I have referred, our economy and fiscal position should be in a much better position to cope. We should now have lower taxation. Instead of Government borrowing, we should have a surplus. We should have higher savings and a massive pensions pot. Sadly, we have none of those things, and in my view, unemployment is relatively high. We have higher taxes, more regulation and the worst budget deficit in the developed world. We have squandered a decade of growth, and that will make the pain far greater when we have to face what is around the corner.

We have had a lively debate. The right hon. Member for Manchester, Gorton (Sir Gerald Kaufman) began the Back-Bench speeches and spoke in his inimitable

style. I thought that he showed insufficient appreciation of the ferocity of the business cycle—a ferocity that his constituents will yet have to withstand. My hon. Friend the Member for North Thanet (Mr. Gale) spoke about jobcentre closures. He also mentioned empty property rates, which I shall come on to in a minute. I thought that the hon. Member for Edinburgh, South (Nigel Griffiths) was unduly vitriolic, and looked only to the past. Our concern tonight is about the future.

My hon. Friend the Member for Harwich (Mr. Carswell) was especially convincing on the Prime Minister's view on immigrant workers, but the victor ludorum tonight is the hon. Member for Livingston (Mr. Devine), who is temporarily out of the Chamber—it is certainly a brave man who becomes his psychiatrist. The mistake that he made, when levelling accusations against us, was insufficiently to appreciate the fact that so many of the problems of the '80s—high tax, inflation, underinvestment, restrictive practices and loss of competitiveness—were caused by what had gone before. I am not sure whether the Secretary of State was even born then, but he can always turn to the history books.

My hon. Friend the Member for Preseli Pembrokeshire (Mr. Crabb) proved that Labour's monopoly of concern is not safe in its hands. The hon. Member for Ynys Môn (Albert Owen)—I am sorry that I missed a bit of his speech—was, once again, looking back. My hon. Friend the Member for Wellingborough (Mr. Bone) showed a rather more accurate grasp of history. The hon. Member for Glasgow, South-West (Mr. Davidson), once he had decomplexified everything, showed a much greater sense of realism, which he injected into our debate.

I am the Conservative spokesman for the Department for business. It is vital that the UK has a strong business sector, and that Whitehall speaks up strongly for business, if we are to counter the scourge of unemployment. I fear that the Department for Business, Enterprise and Regulatory Reform, whose Ministers I face across the Chamber, has not done as well as it could have done over the past 10 years. There have been 38 Ministers and seven Secretaries of State, and the Minister with responsibility for small firms has changed on average once every 18 months. The construction portfolio alone has changed six times since 2001. We are talking about the Department that needs to oversee all the economic activity that ultimately gives us all our wealth, which all other Departments then spend.

Unfortunately, I will not even be able to face my opposite number across the Floor of the House. For these few days, until he is duly ennobled, I can accurately call him Mr. Mandelson. It is a great pity that I will not face anyone of Cabinet rank across the Dispatch Box. When we had a Cabinet Minister in the Lords, be it Lord Carrington or Lord Young, there was always a Member of this House of Cabinet rank whose voice in Cabinet from the Commons would always be there, but we do not have that under the future Lord Mandelson.

Rob Marris: Will the hon. Gentleman give way?

Alan Duncan: Very briefly, if the hon. Gentleman is extremely quick.

Rob Marris: I will be brief. I assure the hon. Gentleman that the Minister of State, Department for Business, Enterprise and Regulatory Reform, the hon. Member for Wolverhampton, South-East (Mr. McFadden), is a fine parliamentarian who will do a fine job speaking for the Government.

Alan Duncan: Yes, but he is not in the Cabinet, as I have said.

I fear that the prospects for employment are grim. We have seen institutional mayhem, and the concern is that even within a matter of weeks businesses, small, medium and large, will have their credit lines withdrawn and their overdrafts cancelled, that they will not be able to pay their bills, and that people who are paying them will take longer and longer to pay what they owe. The picture that we can therefore foresee of a credit squeeze going right to the high street, to households and into corporate Britain is potentially apocalyptic. If the bank problems that we face today are not addressed in short order, the mayhem in the business community will hit people in a way in which no one has been hit for nearly a century.

We must address the matter carefully. The problem is that almost everything that the Government have done in the corporate sector over the past decade will make things worse. It is so easy to tax and put burdens on business as the economy is rising, but when the inevitable downturn comes, those burdens are like an albatross around its neck. The danger, therefore, is that those burdens on business will convert immediately into unemployment.

People can pay £20,000 in stamp duty on housing when the market is going up. When the market is going down, that renders it immediately stagnant, driving out of work estate agents and people who do up houses, and the whole collateral of many small businesses is diminished. We have seen tax for businesses rise. Corporation tax, particularly for small businesses, was raised at just the time when it needed to go down. There has been messing around with capital gains tax. We have seen a challenge to income shifting, which is exactly the underpinning focus for families and couples who run a business.

We have seen fuel duty interrupt the clear economics of business. We have seen regulation increasing. We have seen employment tribunals making it too intimidating for an employer to take on their first employee. We have seen business rates that are particularly punishing for small businesses and high street shops. The ports sector—some Members present may have one of the 56 ports in this country in their constituencies—is about to face national domestic rate demands backdated in an immoral way to April 2005.

Perhaps most immoral of all, taxing something that generates no revenue does enormous damage. Removing the tax relief for empty property rates is bringing to a grinding halt any kind of activity for preparing business premises or developing wrecked premises for future use. It is taking money from people who have not got it to the point where they have to take the roof off or demolish what they have just built.

If the Secretary of State and the Minister do not want to take my word for it, perhaps they will study early-day motion 2045 tabled by the hon. Member for Halifax (Mrs. Riordan), assisted by the hon. Member for Middlesbrough, South and East Cleveland (Dr. Kumar). In an e-mail to all Members, the hon. Lady states:

> "In these difficult times, I know that we should not make things worse for employers."

[Alan Duncan]

She lists all the damage that the tax is doing—early demolitions, shelved regeneration projects, loss of inward and overseas investment, bankruptcies and hence, unemployment and the loss of pensions. Perhaps the Minister can tell me whether he agrees with his own Back Benchers that the tax is but one of the measures that is making the future rise in unemployment higher than it would otherwise be, which is adding to the recession that the British Chambers of Commerce says is already upon us.

We need financial stability. We need our proposed reduction in corporation tax. We need a higher threshold for stamp duty as advocated by the shadow Chancellor. We need a reduction in regulation. We need the effective implementation of the small business support fund promised at the EU meeting last week, and, yes, we need the reform of insolvency law, so that those who are on the edge of bankruptcy can be protected from their creditors.

The lesson of this is that nothing has been set aside for a rainy day. Labour Governments always run out of money, and once this crisis is behind us the best prospects for an economic recovery will come only from a change of Government.

9.50 pm

The Minister of State, Department for Work and Pensions (Mr. Tony McNulty): This should have been a serious debate.

Mr. James Gray (North Wiltshire) (Con): Until now.

Mr. McNulty: The jokes might be fun, but they are made at the expense of the Opposition, because at this time of all times in this place, with all that is going on in the broader country, all we have heard from the man who purports to speak for the Opposition on business is that there should be less borrowing, less taxation and less regulation. Conservative Members should run away and turn their televisions on. At this moment of all moments, borrowing and taxation equal public expenditure, the very public expenditure that we shall use here and elsewhere to lessen the impact of any slowdown. Given his contribution, the Opposition spokesman cannot be taken seriously.

Yesterday, a senior member of the Tory Front Bench said:

> "Families are deeply worried about their savings, their homes and their jobs, and it is up to us to try to work together to get the country through this current crisis. I do not think that the British public would thank us if they saw happening here in this House of Commons what everyone saw happening in the American Congress. That is why we offer to look constructively at any proposals brought forward by the British Government."—[*Official Report*, 6 October 2008; Vol. 480, c. 23.]

I fully endorse that. We have had nothing in that spirit from either the hon. Member for Epsom and Ewell (Chris Grayling) or the hon. Member for Rutland and Melton (Alan Duncan). They could have been consensual. They claim to be consensual on the issue of unemployment and welfare reform. *[Interruption.]* With the greatest respect, I thought that I might speak to the motion and our amendment rather than take a back-of-a-cigarette-packet approach. They could have recognised that intervention is essential, as my right hon. Friend the Secretary of State for Work and Pensions said. They could have said that a lot has been done to great effect over the past 10 years in assisting those currently and previously unemployed. They could have headlined that they will keep up the pressure on us to ensure that the pace of welfare reform is greater not lesser. They did none of that. Instead, we heard a complete dismissal from the hon. Gentleman of all that Jobcentre Plus has done for so many of our communities throughout this country over the years; work that means that whatever the severity of any forthcoming slowdown we are better placed than we have ever been to help and assist those who are unemployed for however long. For it to be so glibly dismissed by the hon. Gentlemen defies belief.

I do not claim a monopoly of concern about unemployment and I accept that there is no such monopoly among Labour Members, but it would be hard to credit Opposition spokesmen with that from their speeches, which is a shame. Among other things they could have apologised for, as so many of my right hon. and hon. Friends have so eloquently put it, was the scandalous waste of human talent in the 1980s and 1990s when the Conservatives were in charge, when there was no intervention of any substance to assist the unemployed and no conditionality, and when there was precisely the fiddling of figures that is the charge falsely laid against us at this stage. They could have apologised for putting so many of our people and communities on the proverbial scrapheap, causing heartbreak and destruction.

Mr. Flello: What would my hon. Friend say to the former miner whom I met only last Thursday? That former miner may have seen this debate in a crystal ball. He was put out of work in the '80s when the north Staffordshire coal mines were not only completely closed, but filled in with concrete day after day. What would my hon. Friend say to him? He is still embittered about it now.

Mr. McNulty: I would say to him that there is a package available to him now that was not there in the '80s.

The hon. Member for Epsom and Ewell could have gone further, been honest and explained how less public expenditure, in terms of the magnitude that the Conservatives are referring to, and the whole notion of a shrinking state helps any of the unemployed people in this country. We got a sub-prime cabaret from the Little and Large of the Tory Front Bench. That is a real shame, because we are discussing a serious matter.

The Conservatives are playing the same game of smoke and mirrors with this issue as they are playing across the piece on policy, to hide the wasteland and absence of any Conservative policy. They propose either what we are already doing or what we already propose to do and claim that as their own as though it were radical. I want the hon. Member for Epsom and Ewell to help me, the Government and the country with the welfare reform agenda, as he promises to. I want him to make clear exactly where he stands on every aspect of our Green Paper, subsequent White Paper and Bill. If he is serious about a consensus and in thinking that we need substantive welfare reform, which has been outlined by my right hon. Friend the Secretary of State, we will work with him. However, given his contribution, I fear

that we will be waiting a long time. Whatever the rhetoric—heightened, sub-prime or otherwise—in this place, it is simply not good enough to condemn the progress made by initiatives such as Jobcentre Plus and the other significant progress on getting people back into work.

Are there problems and difficulties? Yes, there are, as my right hon. Friend the Secretary of State said in no uncertain terms. Do we have a monopoly on caring? No, of course we do not. However, we collectively have the experience of the '80s and '90s and it is important that there should be a serious and substantive debate on this matter.

It is no accident that there was a Celtic tinge to the contributions from my hon. Friends. My hon. Friends the Members for Edinburgh, South (Nigel Griffiths), for Livingston (Mr. Devine) and for Ynys Môn (Albert Owen) all spoke, as did my hon. Friend the Member for Glasgow, South-West (Mr. Davidson), who made a point about decomplexification. They were not wallowing in the past, as was suggested by the Conservatives. They recognised that we cannot go back to the '80s and '90s and that we cannot have the non-intervention, "not our fault, guv" approach that the Conservative Government took in those decades. It is time that there was some consensus in this House. Whatever the depth of the current downturn, and however much harder it makes it to find work, it is not a reason for despair, as has been suggested by some Conservative Members—not least because of what we have already put in place.

My right hon. Friend clearly said that we should treat the current downturn as a spur across the Dispatch Box to ensure that we get even more help to those who need it to overcome challenges—not by fiddling figures or consigning people to inactive benefits and still less by slackening the pace of welfare reform, but by ensuring that we have high expectations, effective support and real obligations not for the minority, but for everyone. We know and understand the lessons of history and we want to get to a stage at which this time, whatever the level of unemployment, nobody in this country will be written off or left behind. As is clearly stated in the Government amendment, we will build on the progress that we have already made to make sure that we do not return to the shameful history and experience of unemployment, perpetrated by the Conservative party in this country.

Question put, That the original words stand part of the Question:—

The House divided: Ayes 205, Noes 300.

Division No. 269] **[9.59 pm**

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Sir Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Beresford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Brazier, Mr. Julian
Brokenshire, James
Brooke, Annette
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clifton-Brown, Mr. Geoffrey
Corbyn, Jeremy
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davies, David T.C. *(Monmouth)*
Davies, Philip
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duncan, Alan
Duncan Smith, rh Mr. Iain
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Farron, Tim
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Gale, Mr. Roger
Garnier, Mr. Edward
George, Andrew
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harvey, Nick
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Howarth, David
Howarth, Mr. Gerald
Howell, John
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Laws, Mr. David
Leech, Mr. John
Letwin, rh Mr. Oliver
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mason, John
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Mundell, David
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Paice, Mr. James
Paterson, Mr. Owen
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mrs. Iris
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard

Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Timpson, Mr. Edward
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward
Vara, Mr. Shailesh
Viggers, Sir Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Watkinson, Angela
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Wishart, Pete
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
Jeremy Wright and James Duddridge

NOES

Abbott, Ms Diane
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Balls, rh Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blunkett, rh Mr. David
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Burden, Richard
Burgon, Colin
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Cabom, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Dai
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Durkan, Mark
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Iddon, Dr. Brian
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Lucas, Ian
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, Dr. Alasdair
McDonnell, John
McFadden, Mr. Pat
McGrady, Mr. Eddie
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Owen, Albert
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan

Russell, Christine
Ryan, rh Joan
Sarwar, Mr. Mohammad
Seabeck, Alison
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, David
Taylor, Dr. Richard
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Walley, Joan
Waltho, Lynda
Ward, Claire
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Woodward, rh Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony

Tellers for the Noes:
Steve McCabe and
Mr. Bob Blizzard

Question accordingly negatived.

Question, That the proposed words be there added, *put forthwith, pursuant to Standing Order No. 31 (Questions on amendments)*:—

The House divided: Ayes 293, Noes 203.

Division No. 270] **[10.15 pm**

AYES

Abbott, Ms Diane
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Balls, rh Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Burden, Richard
Burgon, Colin
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Tom
Clelland, Mr. David
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Durkan, Mark
Eagle, Angela
Eagle, Maria
Efford, Clive
Ellman, Mrs. Louise
Engel, Natascha
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Goggins, Paul
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hanson, rh Mr. David
Harman, rh Ms Harriet
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodgson, Mrs. Sharon
Hood, Mr. Jim
Hoon, rh Mr. Geoffrey
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Howells, Dr. Kim
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Iddon, Dr. Brian
Irranca-Davies, Huw
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Keeble, Ms Sally
Keeley, Barbara
Keen, Alan
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Lewis, Mr. Ivan
Linton, Martin
Lloyd, Tony
Lucas, Ian
MacShane, rh Mr. Denis
Maclaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Mann, John
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, Dr. Alasdair
McDonnell, John
McFadden, Mr. Pat
McGrady, Mr. Eddie
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin

Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Owen, Albert
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Primarolo, rh Dawn
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Riordan, Mrs. Linda
Robertson, John
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Sarwar, Mr. Mohammad
Seabeck, Alison
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Sutcliffe, Mr. Gerry
Tami, Mark
Taylor, David
Taylor, Dr. Richard
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Walley, Joan
Waltho, Lynda
Ward, Claire
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Woodward, rh Mr. Shaun
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony

Tellers for the Ayes:
Steve McCabe and Mr. Bob Blizzard

NOES

Afriyie, Adam
Ainsworth, Mr. Peter
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Baldry, Tony
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Sir Alan
Bellingham, Mr. Henry
Benyon, Mr. Richard
Beresford, Sir Paul
Binley, Mr. Brian
Blunt, Mr. Crispin
Bone, Mr. Peter
Boswell, Mr. Tim
Brazier, Mr. Julian
Brokenshire, James
Brooke, Annette
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clifton-Brown, Mr. Geoffrey
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davies, Mr. Dai
Davies, David T.C. *(Monmouth)*
Davies, Philip
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorrell, rh Mr. Stephen
Dorries, Mrs. Nadine
Duncan, Alan
Duncan Smith, rh Mr. Iain
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Farron, Tim
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Gale, Mr. Roger
Garnier, Mr. Edward
George, Andrew
Gibb, Mr. Nick
Gillan, Mrs. Cheryl
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Gummer, rh Mr. John
Hague, rh Mr. William
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Hayes, Mr. John
Heald, Mr. Oliver
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Herbert, Nick
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Horam, Mr. John
Howarth, David
Howarth, Mr. Gerald
Howell, John
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Key, Robert
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Laws, Mr. David
Leech, Mr. John
Lewin, rh Mr. Oliver
Liddell-Grainger, Mr. Ian
Lidington, Mr. David
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
Mason, John
Maude, rh Mr. Francis
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Miller, Mrs. Maria
Milton, Anne
Mitchell, Mr. Andrew
Mundell, David
Neill, Robert
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Öpik, Lembit
Paice, Mr. James
Paterson, Mr. Owen
Penning, Mike
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Robathan, Mr. Andrew
Robertson, Angus
Robertson, Hugh
Robertson, Mr. Laurence
Robinson, Mrs. Iris
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Scott, Mr. Lee
Selous, Andrew
Shapps, Grant
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swire, Mr. Hugo
Syms, Mr. Robert
Tapsell, Sir Peter
Taylor, Mr. Ian
Taylor, Matthew
Timpson, Mr. Edward
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vaizey, Mr. Edward

Vara, Mr. Shailesh
Viggers, Sir Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Watkinson, Angela
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Willetts, Mr. David
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Wishart, Pete
Yeo, Mr. Tim
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Noes:
James Duddridge and Jeremy Wright

Question accordingly agreed to.

MR. SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House notes the global economic challenges that are facing the UK; congratulates the Government on policies such as Local Employment Partnerships which have helped nearly 40,000 people find work, Pathways to Work which has supported more than 94,000 people off Incapacity Benefit and into work, and the New Deal which has helped 1.97 million people into jobs; welcomes the policies of this Government which seek to reform the welfare state to give people active support to get back into work as quickly as possible; and supports rapid action to ensure that where redundancies occur people are given the personalised support they need to return to work, to intensify the activity of the welfare state to ensure no-one is written off and to maintain a strong and flexible labour market.

DELEGATED LEGISLATION

Motion made, and Question put forthwith, pursuant to Standing Order No. 118(6) (Delegated Legislation Committees).

That the Employment and Support Allowance (Consequential Provisions) (No. 2) Regulations 2008 (S.I., 2008, No. 1554), dated 12th June, be referred to a Delegated Legislation Committee.—*[Ms Diana R. Johnson.]*

Question agreed to.

EUROPEAN DOCUMENTS

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9)(European Committees).

AVIATION SAFETY AND THE SINGLE EUROPEAN SKY

That this House takes note of European Union Documents Nos. 11325/08, Commission Communication on Single European Sky II, towards more sustainable and better performing aviation, 11347/08 and Addendum 1, Commission Staff Working Document accompanying the Communication on Single European Sky II, the SESAR Master Plan for the development and implementation of the new generation European air traffic management system (SESAR-Single European Sky ATM Research), 11323/08 and Addenda 1 and 2, Draft Regulation amending Regulations (EC) No. 549/2004, No. 550/2004, No. 551/2004 and No. 552/2004 in order to improve the performance and sustainability of the European aviation system, 11285/08 and Addenda 1 and 2, Draft Regulation amending Regulation (EC) No. 216/2008 in the field of aerodromes, air traffic management and air navigation services and repealing Council Directive 06/23/EEC; and endorses the Government's approach to discussions on these documents.—*[Ms Diana R. Johnson.]*

Question agreed to.

PETITIONS

Ending Violence Against Women

10.27 pm

Andrew Selous (South-West Bedfordshire) (Con): I have pleasure in presenting a petition handed to me by the Women's Institute of the village of Heath and Reach, in my constituency, to whose members I spoke last month. It concerns the ending of violence against women, and reads as follows:

To the House of Commons,

The Petition of the Women's Institute ending violence against women campaign,

Declares that 3 million women across the UK experience rape, domestic violence, forced marriage, stalking, sexual exploitation, trafficking or another form of violence each year; the Women's Institute is concerned that the Government is not doing enough to prevent violence against women occurring; there seems to a mentality that abuse of women and girls is a fact of life. The petitioners believe that violence against women is a cause and consequence of women's inequality. In 1995 the UK adopted the platform for Action in Beijing at the 4th World Conference on Women to address the goals of inequality, development and peace for all women around the world. There were twelve critical areas of concern where strategic action was needed; one of these was violence against women.

The Petitioners therefore request that the House of Commons urges the Government to stand by the UK's commitment to afford women and girls their basic human rights to live free from violence and its threat by taking steps to eliminate violence against women.

And the Petitioners remain, etc.

[P000269]

Protection of Playing Fields

10.29 pm

Bob Spink (Castle Point) (UKIP): I am honoured to present a petition organised by Jo Grey and other excellent community campaigners on Canvey island against the selling off of one of our secondary school fields by Essex county council so that the borough council can build houses that are not wanted and that will cause blight and harm to the wider community of Canvey island. I warmly congratulate all who signed the petition, including Dave Blackwell, who brought the petition to my attention. He is a superb fighter for the people of Canvey island, along with his independent council colleagues.

The petition states:

The Petition of Jo Grey, concerned Canvey Island residents, and others

Declares that Castle Point Council is wrong to plan to build over 100 houses on Castle View School Playing field, that this is insensitive, inappropriate and will result in more homes built on a green belt, high flood risk site; believes that there is sufficient previously developed, brown land to build any necessary additional homes without selling off valuable school playing fields for that purpose, and that councillors should stand up for residents' interests and consider the impact of their plans on road congestion and safety for all Island residents, and reject the Castle Point Borough Council Core Strategy.

The Petitioners therefore request that the House of Commons urges the Government to press Castle Point Borough Councillors to speak out and act and vote against the plan to sell off a Canvey Island school playing field for yet more building.

And the Petitioners remain, etc.

[P000272]

Energy Efficiency

10.31 pm

Bob Spink: I am sure the House needs no reminding of the importance of improving energy efficiency in domestic homes and businesses. This petition, which supports an electronic petition of approaching 1,000 signatures, calls on the Government to put their money where their mouth is, and to promote energy efficiency and our excellent hi-tech British manufacturing industry. How could they refuse? However, I stress that I do not promote any particular business or product and I have no personal interest in any of this.

The petition states:

The Petition of Andy Jones and concerned residents,

Declares that substantial energy savings, and consequential environmental benefits, can be achieved by the use of high technology, generic, double glazing and other energy efficiency products and components and that the Government should therefore reduce VAT on such technically advanced products.

The Petitioners therefore request that the House of Commons urges the Government to reduce VAT to 5 per cent. on products and components that will make a significant contribution to improving energy efficiency.

And the Petitioners remain, etc.

[P000271]

Workstep (Blackpool)

Motion made, and Question proposed, That this House do now adjourn.—*[Ms Diana R. Johnson.]*

10.32 pm

Mr. Gordon Marsden (Blackpool, South) (Lab): I am delighted to welcome my hon. Friend the Member for Chatham and Aylesford (Jonathan Shaw) to his new position of Minister with responsibility for disabled people and to wish him well in that post.

Supporting people with disabilities to obtain useful and satisfying employment and to remain and, hopefully, progress in it is rightly an issue that commands great public interest and cross-party support. One such long-standing initiative has been the supported employment placement scheme, currently known as Workstep, whereby funding from Government—in this case the Department for Work and Pensions—is matched by a host employer. Among the local authorities who have taken part in this scheme has been my own, Blackpool council, which is Conservative controlled and whose adult social care and housing department has been responsible for administering it.

The factsheet from Blackpool council issued in August 2007 stated:

"Workstep recognises that disabled people often face complex barriers in finding and/or keeping a job...Workstep is for you if you are disabled as defined by the Disability Discrimination Act 1995...once the right job has been identified, you will receive ongoing support and advice to help you continue in your job and develop your skills and abilities."

Unfortunately, the sequence of events that I have to relate tonight strongly suggests that for some of the people on Blackpool's Workstep scheme those supportive words have not been lived up to. Blackpool council initiated a process at the end of April this year that led to five months of pressure, anxiety and uncertainty for the people concerned and their families and friends.

At that time, Blackpool had 30 people on the Workstep scheme, of whom 11 held contracts with Blackpool council but were placed with host employers. A number of the Workstep employees had been in long-term employment with host employers—hard-working and dedicated to the jobs they were doing, which provided them with self-esteem and financial stability. However, suddenly, without prior warning or consultation, those people were told that Blackpool council had reviewed Workstep scheme. The 11 who were contractually employed by Blackpool council but who—in the rather cold words of the note that was issued to them by the social care department—

"provide work to another organisation"

were told, along with their employers, that the council would no longer support the scheme as previously operated. As a result, I was contacted by family and representatives of two of the people affected, who were my constituents, and subsequently by an employer in my constituency of a third person. All those people had been left concerned and bewildered by not only what had been proposed, but the manner in which it had been presented.

The "Changes to Workstep—Employee Information" document, which was read to one of my constituents at a meeting organised by Blackpool council's adult social care department on 22 May, said:

"It has been identified that it is not financially viable for Blackpool Council to be paying, or partly paying individuals who do not provide work for the Council. We need to make 2 per cent. savings across the Council. Many senior management posts were made redundant last year, but more savings are required. The money paid out by the Council to support this scheme is greater than the money brought in. Unfortunately the Council cannot support the scheme in this way any longer.

We have already spoken to your host employer about this and have asked them to consider if they will take you as an employee with their organisation, with a new contract of employments and on their terms and conditions. If the host employer agrees to offer you a position and you do accept, you will need to resign from your position at Blackpool Council. If this does not happen you will be at risk of redundancy."

The note to employers gave a similar financial reason for changing the scheme but added that

"as the individual has been working with you for such a long time and is trained and experienced in the role they have been undertaking, we would like you to consider appointing the individual. We are allowing discussions until the end of May. If agreement cannot be made about appointing the individual to your terms and conditions, our plan is to issue 12 weeks notice that the individuals are at risk of redundancy."

I am not going to name in this House tonight the individuals about whom I was contacted—they have been put through enough pressure by these events—but it is worth quoting what one of them said about these notes at a subsequent meeting between him, his family and advisers, the host employer and officials of Blackpool's social care department to discuss the situation. They said:

"I enjoy working here...with wonderful caring colleagues and have no desire to work anywhere else...the wording of this made me feel like I was a bag of rubbish waiting for the bin men to collect. I thought it was very sharp and impersonal. I feel like just a number being disposed of."

In the wake of those concerns and complaints, I wrote on 20 May to Steve Pullan, the executive director for adult social care at Blackpool council, who had initiated the process to alter the position of these Workstep employees, asking him why the council proposed to terminate their contracts. What had further disturbed me since being made aware of the proposals was that conversations between my Westminster office and the contract provision delivery team of the Minister's own Department had confirmed that despite the funding provided to Blackpool council for the Workstep scheme by the Department—some £400 a month per employee—the council did not consult the Department's officials or, as far as I am aware, Jobcentre Plus, before acting unilaterally. Nor did it discuss the possibility of transitional arrangements to ease the stress and turbulence with which these employees were now threatened.

I asked about the motivation for acting now, given that the Department had not altered its national funding or criteria, and the next national review of Workstep was not due until late 2009. The letter that I received back from Mr. Pullan did not address the financial issue but said instead, rather disingenuously, that as the Workstep contract

"has an end date in 2009, we thought it worthwhile to look and plan ahead."

He admitted:

"These people have been with the host employers for many years"

but said that since Workstep was designed to encourage progression and as

"the group of 11 I mentioned above had not moved onto secure employment with the host we have actively reviewed the situation."

My two constituents have worked with their host employers for about 20 years each—indeed the original placements were made via Lancashire county council, from which Blackpool council inherited responsibility for their contracts when the Blackpool authority became a unitary one 10 years ago. Why, therefore, had Blackpool council waited until now to decide that it needed to be moved on to encourage progression? It is perhaps not surprising that when comparing the reasons given in the notice that the adult and social care department issued with those given to me by Mr. Pullan in his reply to me, the relative of one of those affected said in an e-mail to him that

"the clear shift of emphasis from efficiencies to forward planning is puzzling and disingenuous."

What is equally puzzling is that, only five days after I had received my letter from Mr. Pullan, an e-mail sent by another council official to the employer, who had also queried the reasons and timing for the changes, said that

"this decision has been made both on financial grounds and in order to deliver the objectives of the Workstep Scheme."

The employer challenged the council about why

"this just came out of the blue—if the scheme migrated and changed over the years you should have been in contact with both (the employee) and (us) so that a scheduled plan could have been put together".

The official replied that

"you are correct in stating that we could have taken these steps any time since 1998!"

The council has continued to deny any financial motives for its actions, and, indeed, at a meeting with me last week Mr. Pullan again sought to insist that his junior officials had misunderstood the situation in their written explanations—but to do so not once but twice, in writing, looks at the very least, to echo Lady Brackne!l, like carelessness.

My meeting with Mr. Pullan came only after four months and two further letters from me both to Mr. Pullan and to Councillor Lily Henderson, the cabinet member with responsibility for his department's administration of Workstep, in which I questioned whether the council's actions were not against the spirit and possibly the letter both of equality and disability legislation, and also the Government's partnership with local authorities on Workstep. As well as being very slow to respond to direct questions from me and representatives of my constituents, the council has been evasive as well as insensitive in not appreciating how it has turned the lives of vulnerable people upside down more than a year in advance of a national review—as well as running the risk that because host employers had been placed under an unreasonable deadline, these people would end up redundant and demoralised.

The fact that these issues have dragged on over the summer has exacerbated the situation. I have discovered that the assessments that were supposed to take place for employees to access their potential for progression were, at least in some cases, never properly carried out. I am disappointed that, despite both Councillor Henderson and Steve Pullan being made aware of the human impact of this situation, they failed to act urgently to relieve it.

I have known one of my affected constituents and his family for 10 years. At the end of July, I visited him and his elderly mother in their home, where she was increasingly

[Mr. Gordon Marsden]

house-bound and where he had taken on increasing caring responsibilities. It was clear that they were both very upset and stressed at the threat to his job, and a note sent from the council's own occupational health doctor to the host employer over the summer confirmed that. Sadly, on 1 September, my constituent's mother died and since then he has been on sick leave. He is keen to return to work, but his doctor has advised against it at present. On 25 September, two women representatives of Blackpool council called on him and told him that the

"redundancy steps were still in force and could be acted upon at a time of their choosing".

The money saved by Blackpool council by abandoning its contractual obligations and top-up funding would, as Mr. Pullan has admitted to me, be comparatively meagre—probably less than £30,000 if enacted for all 11 employees. After all, the overwhelming proportion of the money comes not from the council but from employers, and the Government. Blackpool council is Conservative controlled, but I am pleased to report that my constituents' cases have been robustly supported by their individual councillors from both sides of the council, and I pay tribute to the strong advocacy by Labour councillor Fred Jackson and Conservative councillor Jim Holdsworth. I appreciate also the involvement of the council's chief executive, Steve Weaver, in trying to achieve closure on some of these issues. But even now the situation remains uncertain and not properly resolved.

Mr. Pullan tells me that seven of the 11 individuals have now been transferred to host employers, but of course their salaries and terms and conditions are not guaranteed to be the same as they were. Of the other four, the gentleman who lost his mother is still at risk of redundancy. In one case, the council appears to have reversed its position and guaranteed employment until 2009, but whether that will be via the existing contract or by transfer to the host employer is still not clear. My office was told by the employer in my constituency that his employee was made redundant by the council, paid redundancy money and then re-employed by the host employer. When I raised this at my meeting with Mr. Pullan, he was unaware of the situation and I am now waiting for clarification.

After all the inconsistencies and unequal outcomes that Blackpool council has produced, the decisions still appear to have been taken without any consultation with the Government or its agencies. In addition, the upheaval on which Mr. Pullan embarked and in which Councillor Henderson colluded ignored the overall context in which local authorities as providers of Workstep are obliged to operate in return for being funded by the Government.

The Minister's predecessor—my hon. Friend the Member for Stirling (Mrs. McGuire), to whom I pay tribute for her commitment and advocacy as Minister with responsibility for disabled people—made that very clear in her letter to me in July after I had discussed Blackpool council's proposed action with her. She said that there was

"clear recognition that some individuals will require long-term support in work, possibly for the whole of their working lives. In these cases Workstep providers should continue to provide support for as long as the customers require it. I feel it would be wrong for a provider to put pressure on any individual if they are not in a position to progress, or if it puts their current employment position at risk. This is clearly contrary to the overall aims of the programme."

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): Is my hon. Friend aware that the recent consultation document on the Government's welfare to work strategy talks clearly about empowering people with disability, listening to people with disability and supporting people with disability in getting into work and while they are in work? Does he agree that in this instance our local authority has failed to do any of that and that it owes an explanation to the individuals concerned in the cases that he has outlined and to the Government?

Mr. Marsden: I agree absolutely with my hon. Friend on those points. Sadly, I am afraid that the way in which Mr. Pullan and Councillor Henderson have proceeded has caused these sorts of problems.

The Government have made their commitment to the principles of Workstep and any continuing successor programmes beyond 2009 clear, both in the letter I received from the former Minister and in comments made in the House of Lords on 21 July by the Department for Work and Pensions Minister, the noble Lord McKenzie of Luton. Blackpool council should also now make that commitment as well as giving an undertaking to make sure that progression, assessment and support issues for disabled people with supportive employment are properly and professionally handled in future. At a time when the ruling Conservative cabinet of Blackpool council is keen to be seen to be promoting new equality initiatives, it should do no less if it aspires to be taken seriously about supporting disabled people. That might be some compensation for those who have been put through the wringer by the way in which Blackpool council has mishandled its stewardship of the Workstep scheme for the people it held under contract, to whom it owed a duty of care.

10.47 pm

The Parliamentary Under-Secretary of State for Work and Pensions (Jonathan Shaw): I congratulate my hon. Friend the Member for Blackpool, South (Mr. Marsden), who was ably supported by my hon. Friend the Member for Blackpool, North and Fleetwood (Mrs. Humble). She echoed some of the concerns that he set out this evening on behalf of his constituents. I am grateful for the way in which he has presented his case. He has referred to correspondence with my predecessor, my hon. Friend the Member for Stirling (Mrs. McGuire). The whole House will agree that she did a fantastic job as Minister responsible for disabled people. She has rightly won warm applause from stakeholders and colleagues and from our party.

Before I come to the detail of the case involving Blackpool council and my hon. Friends' constituents, let me say a few words about Workstep and our determination to build further on the contribution the programme makes to the lives of those it helps. As a result of Workstep, our programme of supported employment, some 17,000 people are taking part in paid work Without the programme, those people would be unlikely to be able to work. They would have to resort to benefits, and would be denied the chance to make a contribution and to achieve the satisfaction of receiving their wage for the job in return for work.

The Government believe that paid work is the best route out of poverty, and the best route to social and economic inclusion. We need all our partners across the board—local authorities, voluntary sector organisations and many other agencies—to deliver the programme. It cannot be delivered without them, and we rely on their co-operation and partnership.

In July, we published our ambitious plans for welfare reform. These plans are all about making better use of the human resources at our disposal and ensuring that no one is written off. Despite the economic downturn, we remain determined to head for an 80 per cent. employment rate, and to reduce social exclusion by improving employment prospects for people facing the greatest challenge. We will not achieve that goal unless we help greater numbers of sick and disabled people to fulfil what I believe is their ambition—that is, paid employment. We need to have in place a modern framework of flexible support.

Earlier this year, we consulted on proposals to reform the specialist disability employment services, including Workstep. Our proposals received strong support from the 450 people and organisations who responded. I referred earlier to the welfare reform Green Paper entitled "No one written off: reforming welfare to reward responsibility", which was published in July this year. It promised that the Department would implement these reforms. The Green Paper also said that the Department would expand its supported employment budget—by amounts yet to be decided—and proposed that disabled people who could be helped effectively through more mainstream employment programmes, such as our new deals, wherever possible should use this support rather than specialist provision.

We propose to enhance the role of the disability employment advisers in Jobcentre Plus to help to ensure that support is targeted toward those who need it, and that disabled people get the right support package to help them achieve their employment goals. Our aim is to move away from the current separate programmes, including the job introduction scheme, work preparation and Workstep, and towards a new, more flexible and less prescriptive programme that can be tailored more easily to the individual needs of disabled people and that is more focused on job entries.

That approach will help us to move away from "one size fits all" and towards a more flexible approach that recognises the very individual needs of every person. This is in line with our welfare reform approach to offer more flexible and personalised support. The programme will be delivered in partnership with organisations from the public, private and third sectors, and will cover pre-employment support right through to job retention and longer-term supported employment. We expect to publish the DWP's response to the public consultation later in the year.

July's welfare reform Green Paper demonstrated our commitment to providing support for sick and disabled people to take up and keep paid work. That is part of our philosophy of putting money into support instead of benefits. The Green Paper contained a commitment to doubling the access to work budget for 2013-14. That will enable us to expand the reach of the programme, enabling us to reassure employers, benefits claimants and people seeking help to retain their jobs, that support will be available to all those who need it. We estimate that that will expand the programme's capacity to around 48,000 by 2013-14. I am keen to explore how we can make access to work more responsive to the needs of customers with fluctuating conditions, including mental health conditions.

I turn now to the points raised by my hon. Friend the Member for Blackpool, South. As I said earlier, I understand the concerns of customers on this scheme. While the DWP of course wants to encourage as many people as possible to secure contracts with their host employers, we have not insisted that they do this for all customers or by any set date. I hope that that is very clear.

Even when we introduce our reforms, we accept that some customers will require long-term support, and that this might not always be provided by a host employer. My Department can continue to provide funding in respect of those customers who remain on the books of the provider, although we will expect that every effort will be made to find host employers. We need to strike the right balance between incentives for customers to have contracts with host employers that improve their work experiences in the long term and longer-term support with providers for those who need time to acquire the skills and experience that employers want.

I am pleased to tell the House that of the original 11 Workstep customers my hon. Friend reported as having no contract with a host employer, seven now have such a contract. All seven customers are still being supported by the Workstep programme, under the existing Workstep contract held by his local authority—Blackpool council. The four who do not are still employed by Blackpool council, which I understand is continuing its efforts to obtain contracts with host employers.

The Workstep programme contracts with 172 providers, of whom 120 are local authorities. The Department has not been made aware of any other local authority that is taking action similar to that of Blackpool council in relation to their Workstep contracts. I said earlier that we rely on the partnership of the people and organisations with whom we place the contracts, so I say to Blackpool and any other local authority with concerns about particular people on the scheme that they should pick up the phone. They should contact us. That is the way to resolve concerns and problems. Let us work in partnership—I am sure that Blackpool council talks a great deal about that in its community. I do not seek to blame; I simply say to Blackpool or any other council, "Pick up the phone and we will resolve the issues".

Question put and agreed to.

Adjourned accordingly at four minutes to Eleven o'clock.

House of Commons

Wednesday 8 October 2008

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

PRIVATE BUSINESS

SELECTION

Ordered,

That Liz Blackman, Mr. Nicholas Brown and Mr. Alan Campbell be discharged from the Committee of Selection and Mr. Thomas McAvoy, Mr. Frank Roy and Claire Ward be added to the Committee.—*[Mark Tami.]*

Oral Answers to Questions

DUCHY OF LANCASTER

The Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster was asked—

Social Inclusion

1. **Miss Anne McIntosh** (Vale of York) (Con): How he measures levels of social inclusion in rural areas. [224355]

The Chancellor of the Duchy of Lancaster (Mr. Liam Byrne): The Government's strong rural communities programme sets out our goals for those living in rural areas. The Department for Environment, Food and Rural Affairs monitors the outcomes of the programme, and our own public service agreement for socially excluded adults requires all local authorities in rural and urban areas to report on outcomes for particularly disadvantaged groups.

Miss McIntosh: I congratulate the Minister and his ministerial team on their appointments, and look forward very much to working with them. Is he aware that in areas such as the Vale of York and rural north Yorkshire there are pockets of rural deprivation that have worsened over the past 10 years? People suffer from feelings of isolation and have poor access to rural transport because of the fact that Yorkshire is the biggest county in the country. What are his proposals to include them more, especially in the delivery of public services across the board? How will he ensure that rural communities get a bigger share of the public budget, compared with urban areas, than they do at the moment?

Mr. Byrne: I am grateful to the hon. Lady for her welcome. I want to make three points in response to her question. First, she and the House will be aware of the work that the Government are doing to bring decision making in respect of the development of local areas much closer to local communities. Secondly, my right hon. Friend the Secretary of State for Communities and Local Government has brought together plans for housing and for new jobs under the single integrated strategy, and that gives both rural and urban areas much greater latitude and power to drive economic development. Thirdly, the Housing Corporation has set out ambitious plans to make affordable rural housing more widely available. Obviously, the Cabinet Office will retain a very strong interest in the livelihood of those at the bottom, as that is the indicator that we are particularly tasked to monitor, but giving local areas greater power to bring together economic development plans and making sure that councils are backed by the increases in central Government funding that we are providing are absolutely key to making progress on the issues that she has identified.

Albert Owen (Ynys Môn) (Lab): May I also congratulate the Minister on his new role? I wish him every success in it. Although free bus travel has been a huge success in rural areas of Wales, including in my constituency of Ynys Môn, many groups of people, including pensioners, still feel isolated. Will he join me in congratulating citizens advice bureaux on the benefit take-up campaign that they are holding this week? I am supporting it, and I am sure that many other hon. Members will too. Does he agree that local authorities across England and Wales have a greater responsibility to make sure that pensioner groups and individual pensioners are aware of all the benefits to which they are entitled, and that each year they should distribute a list of those entitlements with the council tax forms?

Mr. Byrne: I am grateful to my hon. Friend for his words of welcome. I should like to extend my congratulations to the citizens advice bureaux in his area on the work that they are doing. Many Labour Members are extremely proud of the work that the Government have done over the past 10 or 11 years to lift hundreds of thousands of pensioners out of both absolute and relative poverty. The changes that we have made to pensions and pension credit are central to that progress, but it is vital for everyone in public life to make sure that as many people as possible know what their benefit rights are.

Sir Patrick Cormack (South Staffordshire) (Con): In extending my warm congratulations and best wishes to the new Chancellor, may I ask him to give the House his definition of the term "social inclusion"?

Mr. Byrne: I am grateful to the hon. Gentleman for his words of welcome. In the past three or four days, I have been bombarded with so many definitions that I am going to give him a concise estimate by way of correspondence.

Mr. David Kidney (Stafford) (Lab): May I congratulate the Minister on his promotion and his elevation to the Privy Council? It is a pleasure to see such a strong west midlands presence in his ministerial team.

I have been working with the community council in Staffordshire to promote social enterprises and businesses such as community shops and community orchards

that promote social inclusion. Does my right hon. Friend agree that that is a useful way forward, and does his Department support social enterprises in that sort of work?

Mr. Byrne: The Parliamentary Secretary, my hon. Friend the Member for Cardiff, West (Kevin Brennan), who is not from the west midlands, will have more to say about that a little later in the time we have been given this morning. My hon. Friend the Member for Stafford (Mr. Kidney) is absolutely right to say that the energy, enthusiasm, enterprise and innovation that the third sector brings to tackling some of these questions is one of our greatest assets in this country. That is why the Government have done so much over the last 10 or 11 years to back those organisations. We have doubled the amount of Government support to them over the past 10 or 11 years. Increasingly, it will be for local communities to find the best ways of working with those organisations, and that is exactly why my right hon. Friend the Secretary of State for Communities and Local Government has such ambitious plans for devolving power from Westminster and Whitehall to local areas and an expectation that local authorities will delegate power further to local communities.

Ann Winterton (Congleton) (Con): The Minister is quite correct. Although housing, better employment opportunities and transport links are vital for rural areas, does he not agree that education is, too? Will he join me in regretting that one of my local schools, serving a wide rural area, the Church Lawton primary school, is being considered for closure in the dying days of Cheshire county council? Will he join me in asking the county council to look again at the matter?

Mr. Byrne: It is not in my brief so I can but guess the political control of the hon. Lady's county council.

Michael Fabricant (Lichfield) (Con): They have just told you!

Mr. Byrne: Sometimes, I do not need things written down in front of me, with the support I have behind me.

If truth be told, the number of schools in rural areas that have closed over the last 10 years is much smaller than it used to be. Overall, because of the changes we have made over the past 10 or 11 years, education is delivering on average better results in rural schools. Obviously, I shall be happy to look into the case the hon. Lady has brought to my attention and I will consult colleagues in the Government before I write to her.

Mr. Nick Hurd (Ruislip-Northwood) (Con): I add my voice of congratulation to the new ministerial team, and commiserate with the new Chancellor of the Duchy of Lancaster on assuming that grandest of office at the very moment it is demoted from the Cabinet.

The new index of deprivation produced for the Government by Oxford university reports that almost 50 per cent. of neighbourhoods across England have markedly deteriorated over the past four years on the measure of geographical deprivation, which is what happens when communities are stripped of key local services. Post offices are of course the most devastating loss. More than a quarter of the network has been lost and now we are warned that thousands more will be forced to close if the Post Office loses its contract for the card account. As the Government dither, communities live with uncertainty. Given the impact on social exclusion, what is the Cabinet Office view on the future of the crucial card account, and when on earth will we get a decision?

Mr. Byrne: I congratulate the hon. Gentleman on his rapid rise through the ranks of his colleagues. He joins a strong Front-Bench team.

If the hon. Gentleman spent a little longer looking at some of the evidence from up and down the country, he would see that people living in both rural and urban areas where there is deprivation have actually become better off over the past few years. That has not happened by accident; it is because of the extra investment that has gone into connecting people with jobs and into education and cutting crime. He brought up the example of Post Office accounts—a subject that has been debated at some length in these parliamentary questions over the past few months. He knows that about £150 million a year in subsidy goes from the Government into the post office network, so perhaps he or one of his colleagues would confirm today whether that policy is supported on the Opposition Benches. I think he would accept that £3.5 million a week in subsidy is not sustainable and that we need to make changes, but making sure that 95 per cent. of the population in both urban and rural areas live within 3 miles of a post office is perhaps an acceptable compromise.

Voluntary Sector

2. **David Taylor** (North-West Leicestershire) (Lab/Co-op): What recent discussions he has had with Treasury Ministers on support for those working in the voluntary sector; and if he will make a statement. [224356]

The Minister for the Cabinet Office (Mr. Liam Byrne): I intend to meet Treasury Ministers regularly to discuss a range of issues that affect the third sector.

David Taylor: The current economic downturn disproportionately hurts charities and voluntary organisations in terms of costs, income and staffing. Will the new Minister press Treasury colleagues to introduce early measures to help the third sector, especially in reforming gift aid allowance and approved mileage allowance payments, and so demonstrate to unpaid volunteers the Government's commitment to help them and not just the exorbitantly rewarded City bankers who fund the Conservative party and who have so recklessly gambled with all our futures?

Mr. Byrne: Many hon. Members represent constituencies that are made substantially better by the work of volunteers and volunteering organisations. The truth is that the voluntary sector enters the current economic circumstances in much more robust health because of the fact that this Government have doubled, from £5 billion to £10 billion, our support for the sector over the past 10 or 11 years. Gift aid is one of the most substantial contributions that we have made to that new strength: it is now worth approximately £850 million a year in assistance to the

voluntary sector. I am not sure that I shall be able to persuade the Treasury overnight to be any more generous—it made substantial contributions in the transitional allowances given in the last Budget. The key is that we understand what happens to giving and volunteering in the new economic conditions, which is why it is so important that we now have up and running—from 1 October—a new research centre on philanthropy, which is supported by the Government. That will allow us to make decisions based on evidence rather than anecdote.

Mr. Nigel Evans (Ribble Valley) (Con): One of the delights of the Chancellor's new post is that he will be able to distribute money from the Duchy of Lancaster funds to voluntary organisations and charities. There is a pot of money there—after the events of the past few days, we hope that it is still there. Will he do all he can to promote that fund, so that we can develop the voluntary sector within the County Palatine?

Mr. Byrne: I am extremely grateful for that advice. I now know where to look for advice on where that money is and what it should be spent on in the years to come.

Hugh Bayley (City of York) (Lab): Over the summer, almost all the volunteer advisers at York CAB resigned over differences they had with the management of the bureau. John Stoker, a former chief charity commissioner, has been asked to review what went wrong. Will the Minister look at the review when it is published, to see what lessons can be learned from it, so that people are encouraged to volunteer?

Mr. Byrne: I am grateful to my hon. Friend for championing this matter and bringing it to the attention of Ministers and the House. Although I cannot comment on individual details, I welcome Mr. Stoker's involvement and hope that his review will lead to a satisfactory resolution.

Susan Kramer (Richmond Park) (LD): I, too, join in welcoming the new Chancellor of the Duchy of Lancaster to his post. As he will be well aware, the economic recession will put many new demands on voluntary services dealing with those who are financially damaged by the economic turmoil. Will he make sure that the voice of the voluntary sector is heard in the new National Economic Council? At present, voluntary institutions are both losing volunteers and donations and facing increased demands. Will he get behind efforts to ensure that funding does not dry up in this critical period?

Mr. Byrne: The third sector will of course have a voice on the National Economic Council: that voice will be mine. I shall be supported in that work by the Parliamentary Secretary, Cabinet Office, my hon. Friend the Member for Cardiff, West (Kevin Brennan). It is extremely important that we understand exactly what extra demands are being made on the voluntary and third sector in slower economic conditions, and that across Government we understand whether there are lines of funding, such as Futurebuilders, that can be directed in a helpful way. I am glad to be able to tell the House that my hon. Friend lost no time in getting together yesterday with about 45 organisations to begin that very conversation.

Mr. Andy Reed (Loughborough) (Lab/Co-op): As I am sure the Chancellor knows, a quarter of all volunteers work in the sports sector. The Treasury has introduced the CASC scheme, which allows community amateur sports clubs to get tax relief, but there is a campaign to get junior subscriptions exempted from tax and to improve the position in relation to the tax system. Will he use his office to put pressure on the Treasury to introduce some of those measures as soon as possible, to encourage as many volunteers as possible and to encourage young people in particular to get involved in volunteering?

Mr. Byrne: My hon. Friend is a tireless advocate of the sporting sector and of young people. We want to make a number of changes to cut red tape and make the business of administration much easier for the third sector. If I may, I shall spend more time with him in the coming months to make sure that we implement the package that was put together for the last Budget as fast as we can.

Mr. Francis Maude (Horsham) (Con): I join in congratulating the Chancellor of the Duchy of Lancaster and his colleagues on their appointment, and we look forward to working together to establish common ground wherever we can. On that front, does he share my concern about the fact that v, which the Government set up to channel more than £100 million of public money into stimulating volunteering among young people, is currently commissioning an evaluation of its effectiveness? As the Government's last volunteering initiative, the Experience Corps, had to be scaled back after an independent assessment of its effectiveness, does he agree that a rigorous independent assessment of v's effectiveness is needed?

Mr. Byrne: I am grateful for the right hon. Gentleman's welcome, and I look forward to working with him. I suspect that there is common ground between us; it is important that we find it and do our very best to champion causes. In an evaluation of any programme, when efficiencies can be made, it is important that we find that out, so I am more than happy to consider the points that he makes and to explore what there is in them. Of course, if there is room to ensure shared evaluation of projects, that is absolutely what we must ensure.

Mr. Maude: In the Minister's conversations with the Treasury, will he raise the case of the Catz Club, which accepted that it illegally made donations to the Labour party? Catz Club was dependent on loans from the Cabinet Office quango Futurebuilders to stay afloat. When he has had a chance to look into the issue, will he tell us what role was played by Margaret McDonagh, the former general secretary of the Labour party, who is a director of the Catz Club, and by Amanda Delew, a former Labour party fundraiser who is now the fundraiser for the Catz Club? Can he tell us why the Futurebuilders website has removed all reference to its funding of Catz Club? *[Interruption.]*

Mr. Byrne *rose—*

Mr. Speaker: Order. Before the Chancellor of the Duchy of Lancaster answers, let me say that there is too much private conversation in the Chamber. It is unfair to those hon. Members who are here to listen to these questions and answers.

Mr. Byrne: I am grateful to the right hon. Member for Horsham (Mr. Maude) for bringing that case to my attention. He will know, first, that political parties' members of staff are entitled to go on and do other things and, secondly, that charitable organisations are regulated by the Charity Commission, rather than by me. However, now that he has brought the case to my attention, I will of course do what I can to review it and to correspond with him.

3. **Mr. David Jones** (Clwyd, West) (Con): What recent assessment he has made of the effectiveness of Government programmes to encourage voluntary work. [224357]

4. **Mr. Andrew Mackay** (Bracknell) (Con): What recent assessment he has made of the effectiveness of Government programmes to encourage voluntary work. [224358]

The Parliamentary Secretary, Cabinet Office (Kevin Brennan): A range of Government programmes has encouraged and supported volunteering. The statistics from the 2007-08 citizenship survey show that the proportion of people who volunteered at least once in the past 12 months remains high, at 73 per cent. of all adults.

Mr. David Jones: As a fellow Welsh Member, may I be the first Conservative Member to congratulate the Minister on his preferment? On 7 May this year, his predecessor told the House that the youth volunteering charity, v, had secured pledges of £32 million in match funding from the private sector. A check on the charity's website this morning revealed that the pledges had not increased; the sum was still £32 million. Is the House to infer from that that the charity is having difficulty securing match funding from the private sector, and what assurances can he give the House that it will meet its target of £45 million?

Kevin Brennan: The direct answer is no, it does not mean that v has stopped raising money. Indeed, it is due to report its latest figures shortly. I am sure that the hon. Gentleman looks forward to that. I also remind him that the £32 million is matched by public funds, so there is £64 million of extra money coming in to help create wonderful youth volunteering opportunities that would otherwise not have existed.

Mr. Mackay: I wish the Minister well in coping with the members of the west midlands mafia on either side of him. I put it to him that, at this time of economic downturn, we have never needed the voluntary sector more. There will be huge responsibilities on his and his colleagues' shoulders to deliver on promises that were not properly fulfilled by their predecessors.

Kevin Brennan: The right hon. Gentleman is a former member of the west midlands mafia, having represented the constituency of my hon. Friend the Chancellor of the Duchy of Lancaster. I assure the right hon. Gentleman that I will take forward my role as Minister with responsibility for the third sector very much as the Prime Minister asked that I should—as a champion for the third sector in Government. I am sure that the right hon. Gentleman will welcome the £450,000 of funding to the Berkshire Association of Clubs for Young People for a v involved team in his area, delivering wonderful youth opportunities for volunteers in Bracknell.

Mr. Gregory Campbell (East Londonderry) (DUP): What steps can the Minister undertake, in association with his ministerial colleagues, to ensure that all those involved in voluntary work right across the United Kingdom, including Northern Ireland, can play a more significant role in the run-up to both the Commonwealth games and the Olympic games?

Kevin Brennan: Clearly, the Olympic games provide a wonderful opportunity for volunteers across the United Kingdom. The office of the third sector is working within the Cabinet Office to ensure that there is a real legacy of increased civic participation as a result of the 2012 games. We want to enable third sector organisations to make the most of the opportunity of the Olympics to increase volunteering and we will ensure that individuals will have easy access to the increased number of volunteering opportunities that will become available in the run-up to the Olympic games.

Mark Durkan (Foyle) (SDLP): Given that the Government now enjoy new influence on the banking sector, will my hon. Friend work to ensure that the banks show greater understanding for, and consideration of, the needs and working circumstances of the voluntary sector as it copes with a difficult fundraising cycle and the complexities of funding rounds? Banks are not always there to support that sector positively. Will the Government use their new influence to achieve a better result?

Kevin Brennan: I am grateful to my hon. Friend and the hon. Member for East Londonderry (Mr. Campbell), who, as the Celtic mafia, have given me welcome relief from the west midlands mafia during this Question Time. My answer to my hon. Friend is "very much so", and I am prepared to look, with him, at the issue that he raises.

Mr. David Burrowes (Enfield, Southgate) (Con): Will the Minister ensure that funding continues for organisations that recruit volunteers, such as Chance UK? I spent a week volunteering at that organisation last month. Will the Minister commend its work in recruiting volunteers to mentor the most vulnerable five to 11-year-olds and raise their aspirations and behaviour? That work is so needed, particularly in respect of role models in our communities.

Kevin Brennan: There is a social inclusion taskforce project in that very area. The role of mentoring is important. From my previous posting at the Department for Children, Schools and Families, I know that it spent a lot of money, working in conjunction with the office of the third sector, to promote volunteering in the form of mentoring, particularly for young people. I commend that work.

Third Sector

5. **Christine Russell** (City of Chester) (Lab): What research his Department has commissioned to underpin the development of its policies relating to the third sector in the last two years; and if he will make a statement. [224359]

The Parliamentary Secretary, Cabinet Office (Kevin Brennan): The office of the third sector recently commissioned the largest ever survey of the sector, reaching more than 104,000 third sector organisations. It conducts additional research on issues including social enterprise, consultation, volunteering and charitable giving. It is also laying the foundation for future third sector research by investing £5.7 million in two third sector research centres with the Economic and Social Research Council.

Christine Russell: I welcome that response from the new Minister and wish him well in his new job. He was an excellent Minister in the Department for Children, Schools and Families and I am sure that he will continue the good work at the Cabinet Office.

Not only the smaller charities and voluntary organisations help groups and people in our society now; many larger organisations are delivering front-line public services. However, in many of our towns and cities, charities, voluntary organisations and community groups are hampered in the development of their work by inadequate and inaccessible premises. As the Minister develops policies for the third sector in the next two or three years, will he consider that issue and the funding involved?

Kevin Brennan: Yes, I will do that. As my hon. Friend will know, helping third sector organisations to take over former local authority premises has been one of this Department's large programmes, and it will continue to be so.

Mr. Simon Burns (West Chelmsford) (Con): Have the Government commissioned any research in the past two years that will not only underpin their policies but assist the third sector by identifying all those areas across Government Departments where the third sector can apply for grant, and would they publish that work to assist the third sector in knowing where it can go to seek funding?

Kevin Brennan: We are doing a great deal of that work. In fact, we are following four different research strands. We are carrying out the largest ever third sector survey, this month we will open the third sector research centre, we are supporting the Centre for Charitable Giving and Philanthropy, and we are commissioning rigorous evaluation of the work that we are undertaking. I am happy to talk further with the hon. Gentleman about those issues.

Social Inclusion

6. **Mr. James Gray** (North Wiltshire) (Con): What work programme has been put in place for the social exclusion taskforce for the next 12 months; and if he will make a statement. [224360]

The Minister for the Cabinet Office (Mr. Liam Byrne): The principal focus of the taskforce's work is in ensuring delivery of the public service agreement that we have agreed on excluded adults. There will also be scope for a number of additional projects, which will be announced shortly.

Mr. Gray: The Secretary of State has recognised the work of the social exclusion taskforce, but does he recognise the following words:

"despite our successes, it is actually getting harder for people to escape poverty...In fact, it's currently harder to escape the shackles of a poor upbringing in Britain than anywhere else in Europe"?

Does he agree with the right hon. Member for Kingston upon Hull, West and Hessle (Alan Johnson), the Secretary of State for Health?

Mr. Byrne: I think that my right hon. Friend would agree with me that what is important over the next year is not only that the Government take action such as the action announced today to stabilise the banking system but that we do everything possible to help families and businesses through these more difficult economic times. Labour Members are determined to ensure that we come through the next year not only stronger as a country but as one nation, leaving nobody—no community and no business—behind. I hope that that ambition is shared in all parts of the House.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [224398] **Mr. Robert Goodwill** (Scarborough and Whitby) (Con): If he will list his official engagements for Wednesday 8 October.

The Prime Minister (Mr. Gordon Brown): Before listing my engagements, I know that the whole House will want to pay tribute to all the servicemen who have died in the summer months in Afghanistan and, in doing so, I send our profound condolences to their families and friends: Warrant Officer Class 2 Gary O'Donnell, Sergeant Jonathan Mathews, Corporals Jason Barnes and Barry Dempsey, Lance Corporals Kenneth Rowe and Nicky Mason, Private Peter Cowton, Private Jason Rawstron, Signaller Wayne Bland and Ranger Justin Cupples. We owe them, and all those who have lost their lives in conflict, a huge debt of gratitude. Like many Members, I have recently visited Afghanistan, and I have seen at first hand the superb job that our armed forces are doing. I believe that I can speak for the whole House in sending the full and unwavering support of this House for the great efforts of our armed forces.

This morning I had meetings with Ministers. I also talked to Chancellor Merkel, President Sarkozy and Prime Minister Berlusconi about the economic situation. I think that the House will want to know that the Governor of the Bank of England has just announced an immediate 0.5 per cent. cut in interest rates. He has done so in a co-ordinated action that is happening around the world, in which the US Fed has cut interest

rates by 0.5 per cent. and the European Central Bank by 0.5 per cent. The Swiss, the Swedes and other members of the G10 have all cut interest rates, showing that global problems are best dealt with by global action.

Mr. Goodwill: I am sure that the whole House shares the sentiments expressed by the Prime Minister with regard to the fallen.

Does the Prime Minister agree with the International Monetary Fund that the British economy will shrink next year?

The Prime Minister: Every economy is facing problems, and I do not want to make predictions about the future. We are in very difficult times. However, I think that the hon. Gentleman will see, and the whole House will understand, the strength of the action that we have taken today. We have produced additional liquidity in the system of up to £200 billion. We have said that we are prepared to buy shares in our banks and recapitalise our banks to the tune of £50 billion. We have also done something that other countries will, I believe, follow very soon by providing medium-term financing of up to £250 billion, guaranteed by the Treasury. By taking co-ordinated action as a whole and leading the world in doing so, I believe that we can get our banking system on to a sound footing, and that is the key to the future. To have that combined with the macro-economic action—a cut in interest rates—is an important message that is being sent round the world: that we will do everything in our power to ensure that our economy moves forward.

Sir Gerald Kaufman (Manchester, Gorton) (Lab): Will my right hon. Friend guarantee that the fat cats of the City of London will not be allowed to line their pockets on the backs of the profound concerns of tens of millions of our fellow citizens? Will he assert that the jobs, homes, small businesses, savings and pensions of those fellow citizens of ours are the profound, top concern of this Government?

The Prime Minister: I was pleased to visit the constituency of my right hon. Friend when I opened a school only a few weeks ago, and we will do everything in our power to maintain our public services, to increase jobs in our economy and to protect the savings and deposits of the citizens of this country. I want to reassure people that everything that can be done will be done to ensure a flow of finance for mortgages and small businesses, despite the toughness of these times. I also say to him that the conditions we will lay down for support to banks in this country include executive performance and the way in which it is remunerated, and we will build on the Financial Services Authority's work to ensure that excessive risk taking is not rewarded but punished.

Mr. David Cameron (Witney) (Con): May I join the Prime Minister in paying tribute to those servicemen who have lost their lives in Afghanistan since the House last met? Like the Prime Minister, I have been recently to Helmand, and I have seen for myself the courage, professionalism and dedication of people working in incredibly difficult conditions, and we owe each and every one of the fallen a huge debt of gratitude.

Right across the country, people are worried about their savings, their pensions and their mortgages. That is why I said last week that if the Government needed to take major steps to secure the banking system, they would have our support. Does the Prime Minister agree that the message should go out loud and clear from this House that in a free enterprise economy, banks play such an important role for everyone—home owners, businesses and individuals with savings—that the banking system cannot be allowed to fail?

The Prime Minister: I am grateful for the Leader of the Opposition's support for the action that we are taking. I hope that we can proceed on the basis that there will be all-party support for the actions taken today and those taken on future days.

I believe that the scheme we put forward, which is a stability and restructuring programme, is not simply about new capital for the banks. It is increasing liquidity into the system so that there is overnight and short-term lending available for the banks. It is dealing with what is perhaps the bigger problem at the moment, which is medium-term funding that small businesses in our country need, as everyone recognises, to get funding. At the same time, mortgage holders and prospective home owners need to know that the market can resume. The absence of medium-term funding of loans over six months, a year, two years or three years has hindered the market, which is indeed frozen up in those areas. We are guaranteeing £250 billion at commercial rates, but we will do the job that the banks usually do, and should be doing in normal circumstances, by providing the guarantee that that system will work forward. In addition, the cut in interest rates will assure people that all action is being taken in the economy so that we can help businesses move forward.

I welcome the right hon. Gentleman's support. I say to him that the measures we took this morning are far more comprehensive and wider than those speculated about in the press, and we are showing that we will do everything in our power to maintain the stability of the economy in the interest of every single British person.

Mr. Cameron: Given, as the Prime Minister says, that we are trying to save the banking system not as an end in itself, but to save the wider economy, would he agree that the real test of success of these measures is not just, as he said, whether banks starting to lend to each other, but whether small business can get loans again and whether home owners can get mortgages again? Are they not the real tests that need to be met? Can he explain how he will measure whether they are met?

The Prime Minister: I am grateful to the right hon. Gentleman for giving me an opportunity to say, in addition, what we are doing to help small businesses. The key issues for small and medium-sized enterprises are cash flow, and, to some extent, access to finance, as I have just said. They need to be helped through this critical period. Late payment problems, which have intensified, with all firms on average lengthening the time it takes to pay their suppliers, including SMEs, go beyond agreed terms. The Government can ease the situation, and we will help cash flow through prompt payment. The Government have already agreed to move their procurement rules from payments within 30 days to a commitment to pay as soon as possible. In the

current climate, we need to go further, with a harder target. We will therefore aim to make SME payments within 10 days. The Government will pick up the cost of that, but it is a small price for greatly increasing cash flow associated with £8 billion of contracts for SMEs.

As I announced last weekend, we propose that the European Investment Bank increase its loans worth up to £4 billion to United Kingdom banks for use by small and medium-sized enterprises. We are now pressing for further additional funding to be advanced, and for UK banks to be able to ensure that they take up the full funding available for SMEs. The Government will, of course, review the impact of any regulatory measures already agreed, but let me make it clear that we are doing, and will do, everything we can to assist SMEs throughout this period. Our restructuring of the banks is designed to ensure that, although it is difficult to achieve, credit lines can remain open to SMEs on a commercial basis. We will not accept that banks should cull their credit lines to eliminate their own exposure to risk, so we will do everything we can to help the 4 million small businesses of this country.

Mr. Cameron: Taxpayers are making an enormous investment and potentially have a huge liability. They want their interests to be protected. That should mean no more irresponsible behaviour, no more inappropriate dividend policies and no more indefensible bonus packages. Will the Prime Minister confirm that those will be conditions of the agreement for getting taxpayers' cash? Crucially, how will the conditions be enforced once everyone has signed up?

The Prime Minister: Again, I am grateful for the chance to explain how we will move forward the proposal that the Chancellor announced this morning. On the remuneration packages available to executives, it will be a condition of the capitalisation of banks that they accept new conditions attached to executive remuneration. We are in discussion, on a case-by-case basis, with the banks that want to take up the scheme about the level of executive remuneration, especially the bonus system that has caused so much difficulty.

Our aim is to support and reward work, enterprise and responsible risk taking, but not irresponsible and excessive risk taking, which has caused so much damage. The Financial Services Authority—*[Interruption.]* I was asked a question, so I think I should have the chance to answer. The Financial Services Authority will soon publish a consultative document about the danger to company balance sheets if, by excessive risk taking, some of their executives put those balance sheets and companies at risk. That will form part of its estimate of what capital those companies need.

It is not only a question of the individual banks with which we are dealing having to accept new conditions—there are strings attached and conditions must be met—but throughout the system, the FSA will propose a new way of dealing with executive remuneration, especially bonuses, which will allow it to regulate according to the capital requirements of a company that takes excessive risk.

Mr. Cameron: May I ask a question that follows directly from the answer that the Prime Minister just gave? The banks that are most reliant on the scheme are those that have taken the greatest risks and, in some cases, behaved irresponsibly. Will the Prime Minister guarantee that, in those banks, there will be no bonuses for senior executives this year?

The Prime Minister: I think that we must get both sides of the matter right. Early on, the right hon. Gentleman said that he did not want any bank to fail, and we will take all the necessary action to ensure that banks are stabilised and can continue, and resume their normal process of lending. At the same time, we will insist in the conditions on which we issue shares that executive remuneration is as we want: based on responsibility, hard work, effort and enterprise. However, that will be part of the negotiations that we will hold. I think it is right to hold those on a one-to-one basis between the Government and the companies. Of course, those matters will be made public because that is what companies are required to do.

Mr. Cameron: No one wants banks to fail, but also no one wants rewards for failure. Taxpayers now have an investment, so taxpayers have an interest, and they will rightly be infuriated if they see their hard-earned money going in bonuses that are rewards for failure. The other thing that the taxpayer will expect is that everything possible will be done to improve the regulatory system. One of the problems is that there is no one in the system who is there to take an overall view of indebtedness in the economy. Will the Prime Minister look with a genuinely open mind at restoring the role of the Bank of the England—the role that it had for decades—of calling time on debt levels in the economy? The regulatory system needs not just the right rules, but strong institutions. Should not the Bank of England be restored to its proper role in this regard, so that this never happens again?

The Prime Minister: Of course under the new legislation, for which I believe there is now all-party support, the Bank of England will have a statutory role in the supervision of the system. However, I have to remind the right hon. Gentleman that when we came in in 1997, there were seven or eight separate regulators all involved in the system. We co-ordinated that within the Financial Services Authority and we led the world in that way.

As for bonuses, the FSA will be responsible for issuing rules about capital adequacy to firms. It will take into account whether firms are taking excessive risk by rewarding people on the basis of short-term gains, not long-term success. So when the right hon. Gentleman asks what will be done, the answer is that on a case-by-case basis where we capitalise the banks, we will lay down conditions. As for other companies and the rest of the system, the FSA will now be in a position to regulate the capital requirements of firms according to the risk taking that is involved.

I hear what the right hon. Gentleman says about what he thinks about the irresponsibility of people in the City and some of the adjectives that have been used, but I have to remind him of what he said on the "Andrew Marr Show":

> "What you won't hear from me this week is sort of easy, cheap lines...beating up...the market system, bashing...financiers."

Dr. Gavin Strang (Edinburgh, East) (Lab): Now that the Government have brought forward such a bold scheme of support for the banks, does the country not have the right to expect the bankers to show a bit of courage and resume normal lending among themselves and to the wider community?

The Prime Minister: My right hon. Friend is absolutely right. What we are making possible to happen today is for that resumption of lending to take place. We are providing a guarantee for medium-term funding. I am thinking of the small business that is looking for funds for investment or the small firm with an overdraft that wants the help that a bank can usually give. I am thinking of the mortgage holder who wants to buy the next home or the first-time buyer. That is the cash that can be provided by a good banking system. To have it on a sound footing is an essential element of the programme, but to resume the medium-term funding is one of the least publicised elements of the programme that we have announced today. Not only will we do this in Britain—the £250 billion guarantee—but I have talked to my European colleagues over the past few days and I have hopes that this can become a wider scheme that other countries will take up. I hope that we will show that we have led the world in changing the terms and conditions on which we can help to renew the flow of money in the system.

Mr. Nick Clegg (Sheffield, Hallam) (LD): I would like to add my own expressions of sympathy and condolence to the families and friends of those brave British servicemen who lost their lives during the summer recess in Afghanistan.

This is indeed a day of reckoning for the British economy. It is also a test for this House. We must show the British public that we can work together to halt the downward spiral in the British economy. That is why, speaking for the Liberal Democrats, I can confirm that we wholeheartedly support the Government package. When a ship is sinking, we send out the lifeboats. We do not argue about who has steered it into an iceberg—that is a debate for another day.

This is a national response to what the Prime Minister has rightly called a global crisis, so we need global responses, too. Will he give the House a bit more detail on exactly what he is doing to ensure that the European Union finally acts together? Will he and the Chancellor press the IMF later this week to provide support to Governments, such as Iceland's, who are overwhelmed by the crisis and unable to cover the liabilities of their banks on their own?

The Prime Minister: Once again, I am grateful for the right hon. Gentleman's question, because it allows me to explain, if he will allow me to do so, what we are doing in concert with our European partners and what we want to see happen at a global level.

First, the co-ordinated cut in interest rates is an important signal that the world will come together to deal with this economic problem. I believe that it has come at the right time to show that the action that we are taking, the action that the Americans are taking and the action taken in other countries in Europe is action that is designed to solve together the problem we face.

The problem is that the banking system has been overwhelmed by the fall-out from the sub-prime market in the United States and the bad assets that have been taken by many banks. Our method of doing this is to strengthen the banks in our country. In America, they are trying to move those bad assets into a Government fund. We feel that what we are doing is best for the banking system here, so while action is co-ordinated, each country will choose different things to do.

On Friday, the G7 will meet and agree co-ordinated action on transparency, disclosure and how we deal with accounting standards. I believe that the changes such as the new colleges of supervisors that will regulate multinational companies across frontiers should come in immediately and be set up before the end of the year. There will be a meeting of the IMF on Saturday, which I believe will agree the same principles. Having talked to President Bush yesterday, I think that we will have an international leaders meeting soon to look at what we can do together.

We need to have responsibility and integrity at the heart of the global financial system. We need a global early-warning system and co-operation among regulators that, to be frank, we in Britain have tried for for years, but have not been able to persuade other countries to support. We will continue to see co-ordinated action on economic policy.

Mr. Clegg: I am grateful for the Prime Minister's reply. I am sure that he will agree that although this package is hugely important, it is only one part of the jigsaw that needs to be put together to get the economy back on track. He has said, rightly, that this is a time for new thinking, not for old dogma, so does he recognise that struggling families facing huge bills need more money in their pockets now? Will he act to close the numerous loopholes in the tax system, which benefit only the very wealthy, and use that money to cut taxes for people on low and middle incomes, who need that money the most?

The Prime Minister: I am grateful to the right hon. Gentleman. Of course, wherever there are loopholes in the tax system we will act to close them, and have done so over the last nine years. He asks about money going to hard-working families in this country to help them through these difficulties. Every family—in fact, 22 million families, basic-rate taxpayers—will receive £120 as a result of the decisions made by the House to give a tax cut. Equally, at the same time, as he knows, pensioners will receive £250 in the next few weeks for their winter fuel. Pensioners over 80 will receive £400 to help with their fuel bills. We have also extended help to low-income families by increasing the social tariff numbers to half a million and more. We are trying to do more in that area. We are trying to deal with the unacceptable problems raised by pre-payment meters. We will legislate if necessary to stop the practice of discriminating against those on pre-payment meters and we will continue to do everything we can to help the hard-working families of this country.

Paul Flynn (Newport, West) (Lab): Does the Prime Minister agree that the best way for the House to show its admiration for our troops in Afghanistan would be to investigate an alternative peace strategy that sought to consolidate the gains already made, end the bloodshed and bring stability to Afghanistan and Pakistan?

The Prime Minister: My hon. Friend is absolutely right in one thing: this is not a military strategy alone. I applaud the professionalism, dedication and ingenuity in the face of huge difficulties displayed by our British armed forces—more than 8,000 men and women who are in Afghanistan at the moment. As everybody knows, they face a new problem—not front-on combat with the Taliban, but guerrilla warfare, roadside bombs, devices

such as car explosives and suicide bombings. We have had to restructure and reconfigure our troops to deal with that problem.

In addition, we are training the Afghan army to do its own job for itself—80,000 people are being trained. The Afghan police force is being trained, which is a more difficult task. Corruption has to be avoided so that it can also provide a policing role. I may say also that in what we have done in increasing the facilities available—for example, the dam in Afghanistan—we are trying to help to develop the economy of Afghanistan. We are trying to give people education and health, and all the opportunities that a civilised society should give. However, let us remember this: some criticise the effort in Afghanistan, but Afghanistan is now a democracy and millions of children, including 2 million girls who never went to school, are now going to school.

Q2. [224399] **Angela Watkinson** (Upminster) (Con): Does the Prime Minister share my disgust that some banks are charging small businesses more than 15 per cent. interest on their overdrafts?

The Prime Minister: That is exactly the problem that we are considering at the moment. Small businesses need the lifeline of banks that are able to service them. We are examining how we can use money from the European Investment Bank, the small firms loan guarantee scheme, and money that regional development agencies have to help businesses in their community, to get the banks to be better intermediaries to finance loans for small businesses at affordable rates. We have been discussing in detail with our European partners how a £25 billion scheme can be introduced. We are also considering how the small firms loan guarantee scheme can be improved. The situation is difficult and tough. Banks have increased the margins that they charge, and have responded to their difficulties by making it harder for small businesses. We should accept that that problem must be dealt with. But we must create a means by which the banks can be better intermediaries in getting funds to the 4 million small businesses in our country who deserve, and will have, our support.

Liz Blackman (Erewash) (Lab): I too congratulate my right hon. Friend on this bold, comprehensive financial package, especially as it has been struck voluntarily with the banks and will therefore not be delayed by legislation. Can he tell the House how quickly he thinks that the major banks will take up the offer on the table?

The Prime Minister: One of the reasons that the programme had to be completed in full before it was announced was that we had been in detailed discussions with the major banks. We have an agreement in practice that they will all join the scheme. The detailed working out of the scheme, through the conditions that we are attaching, will happen in the next few days. We must accept that this is a long haul for every economy of the world. But I hope that in a reasonable time we can get the funds from the banks into the small businesses, and resume the mortgage lending that is so essential, especially for young people looking for their first home.

Q3. [224400] **Stephen Hammond** (Wimbledon) (Con): When the Prime Minister was Chancellor of the Exchequer, he often used the occasion of the IMF forecast to revise his public borrowing figures. In the light of today's revised IMF forecast, will he revise those public borrowing figures today?

The Prime Minister: If I may say so, public borrowing forecasts have always been revised in the pre-Budget report and in the Budget. I have never done that at the IMF, although sometimes at the IMF I have said what I think the growth pattern of the economy will be.

Chris McCafferty (Calder Valley) (Lab): In the light of today's historic and dynamic intervention, does my right hon. Friend consider that the proposed takeover of HBOS by Lloyds TSB will still proceed? If so, will he reassure my constituents in the Calder Valley, and those of my hon. Friend the Member for Halifax (Mrs. Riordan), many of whom are employed by HBOS in Halifax, that he will do everything that he can to ensure that there are no compulsory redundancies in the next three years?

The Prime Minister: My hon. Friend takes a huge interest in those matters, and I too am concerned with the interests of her constituents and those employed by HBOS and Lloyds TSB in Yorkshire and Humberside. When we changed the competition rules to make possible the takeover by Lloyds TSB of HBOS, the alternative that we faced—that a major bank that served a large part of our community would not be able to survive—was a great deal worse. We took the right action to make sure that Lloyds TSB could take over Halifax Bank of Scotland, with the company wishing to expand over time its business in banking, servicing the people not just of Yorkshire and Humberside but the rest of the United Kingdom. I will look at the matter carefully, and would be happy to meet her to discuss the conditions of employment that she finds. With Bradford & Bingley in the same area, I realise that people face difficulties. Our determination, however, is to stand on the side of those people who are worried about their jobs, and to help them through this difficult period.

Q4. [224401] **Mr. Andrew Mackay** (Bracknell) (Con): Following the Prime Minister's pronouncement in New York last week, will he now tell us when the age of irresponsibility began?

Chris Ruane (Vale of Clwyd) (Lab): In 1979!

The Prime Minister (Mr. Gordon Brown): I am tempted to use my experience of studying history to go back quite a long time to explain what has happened.

I was talking about irresponsibility in the financial markets. Now everyone agrees about irresponsibility in the financial markets, but let me say, because I think it should be clear to the people of this country, that the dividing line here is not between business and being anti-business, or between market and being anti-market. The dividing line that we have is between rewarding hard work, effort and responsibility—rewarding enterprise—and rewarding excessive risk-taking or irresponsible risk-taking. *[Interruption.]* The all-party consensus seems to have dissipated a little.

I personally think that the whole country will agree that that is the right thing. Let us reward work, let us reward effort, let us reward enterprise, let us reward

responsible risk taking; but let us deal with the problem—and sort it out once and for all—of excessive and irresponsible risk taking.

Nigel Griffiths (Edinburgh, South) (Lab): When the Prime Minister gave badges of honour to the women and male Spitfire pilots and others in the Air Transport Auxiliary, did he convey the great pride that the whole House shows in them, and the tremendous thanks of the whole country for their sterling service during our darkest hour?

The Prime Minister: I had the privilege, over the summer, of meeting many of the women Spitfire pilots, and the men and women of the Air Transport Auxiliary and I was able to congratulate people who had come from all over the country, and who had given a huge service to the country. Their contribution was in delivering aircraft between factories and airfields during the second world war. It is right, even 60 years after the war, that the nation has now determined that it will recognise the contribution of some very brave and courageous women and what they did.

Q5. [224403] **Mr. Mark Harper** (Forest of Dean) (Con): I listened very carefully to the Prime Minister's answer when he said that he often used the occasion of the IMF forecast to publish new growth forecasts. I repeat the question put by my hon. Friend the Member for Scarborough and Whitby (Mr. Goodwill): can the Prime Minister confirm that the Government agree with the IMF that next year the economy willshrink?

The Prime Minister: I said that I often forecast the path along which the economy will move forward. We publish—*[Interruption.]* I think the hon. Gentleman has been in the House for long enough to know that it is right for a Government to publish the exact figures of its forecasts at the time of a Budget and pre-Budget report. Anything else leads to uncertainty; and, if I may say so, the hon. Gentleman betrays some immaturity in expecting that we will give a running commentary on the economy.

Financial Stability

12.33 pm

The Chancellor of the Exchequer (Mr. Alistair Darling): With permission, Mr. Speaker, I shall make a statement on the proposals that I announced this morning. I hope the House will understand that it was necessary for me to issue a statement this morning ahead of the opening of the markets, for very obvious reasons. Before I return to that, let me tell the House that the announcement made by the Bank of England half an hour ago of its intention to cut interest rates by half a per cent. to 4½ per cent. will help our objectives of maintaining stability and rebuilding the banking system.

As I said in my statement to the House on Monday, the disruption in the global financial markets has intensified over the last few days and weeks. I also said that the Government were ready, with the resources and the commitment, to do whatever was necessary—in terms of liquidity and capital—to maintain stability in the banking system. That is why today I put forward measures designed to restore confidence in the banking system and to put banks on a stronger footing.

There are three strands to what I have outlined today: first, to provide sufficient liquidity now; secondly, to make available new capital to UK banks and building societies to strengthen their resources and to restructure their finances, while maintaining their support for the real economy; and thirdly to ensure that the banking system has the funds necessary to maintain lending in the medium term. My proposals today, as well as supporting stability in the financial system, will protect depositors, safeguard the interests of taxpayers and play an important part in the international response to this global crisis. That, in turn, should help people and businesses, as well as support the economy in these extraordinary times.

Let me set out for the House further details and the purpose of our measures. First, the Government and the Governor of the Bank of England will take whatever action is necessary to ensure that the banking system has sufficient funds, or liquidity, to function properly. That crucial measure is needed to allow money to flow through the banking system.

To that end, I have agreed further immediate liquidity measures with the Governor. Until markets stabilise, the Bank of England will extend and widen its injections of funds into the system to build on the £40 billion that it put in yesterday. The Bank of England will continue to lend those funds to banks, in both sterling and dollars, by taking a wider range of security in exchange, and today I have increased the amount available to the Bank of England to lend through the special liquidity scheme to a total of at least £200 billion.

By injecting that short-term funding into the system, the banks will be better able to conduct their daily business with their customers. Importantly, that form of funding, which allows banks to swap assets for Government securities, keeps the risk of losses with the banks and not the taxpayer. The Bank of England will next week bring forward its plans for a permanent regime underpinning banking system liquidity, including a discount window facility.

The second step is to help the banking system to become stronger, so that it can better deal with the current turmoil in global financial markets. Banks will do that by raising the level of capital that they hold.

A healthy banking system is the cornerstone of the economy. Strong banks underpin a strong economy, but many banks, all over the world, do not have sufficient capital and banks need adequate capital, so that they can keep on lending to people. That is why today the Government have established a bank recapitalisation fund to allow UK banks to increase their capital position. The eight major UK banks have today announced that, in aggregate, they plan to increase their capital by £25 billion. Banks can raise that capital in the open market, in the usual way, or they can raise it through the newly created bank recapitalisation fund. Other eligible banks and building societies can also take part.

Through the fund, the Government stand ready to buy preference shares in the participating banks. Preference shares rank above the stock of ordinary shareholders. The Government will receive a fixed regular payment for holding those shares and will get better protection against any future losses. In addition to that, the fund will be ready to provide at least another £25 billion of capital to strengthen the balance sheets of any interested bank. The taxpayer, therefore, will be fully rewarded for that investment.

Additionally, the Government are also prepared to consider standing behind the issuance of new shares by any bank taking part in the recapitalisation fund. The fund will cover a wide range of financial institutions, from UK-based multinational banks to high street branches and regional building societies. Through those measures, UK banks will be strengthened to above the standards required by international conventions. It will put the banks on a stronger footing, making them better able to deal with future shocks and more willing to lend to people, families and businesses.

That brings me to the third element of the Government's proposal today. The root cause of today's problems is that, because banks all over the world are worried about each other's positions, medium-term lending between them has frozen up. Many banks have simply lost confidence in each other. If banks do not lend to each other, they will also not lend to people and businesses up and down the country.

To free up bank lending and reduce dependence on overnight lending, I want to remove one of the key barriers by offering a temporary underwriting for any eligible new debt issued by banks. That means that participating banks can start having confidence in each other again, because they will know that the Government are standing firmly behind them when they want to issue new debt. That guarantee aims to unblock the system, so that banks can go about their business of lending to people and businesses, and because it will be priced on commercial terms, taxpayers will be rewarded for the risk that they take on. The guarantee is expected to cover an amount of around £250 billion but we will keep this total under review. Over time the cost of lending between banks should fall, reducing the need for such a guarantee.

The freeze in global markets is a problem for all countries. Yesterday, at the meeting of European Finance Ministers, we agreed to work together to rebuild confidence in the banking system. I believe that the measures that I

[Mr. Alistair Darling]

am announcing today are an important part of that. I shall be having further discussions with Finance Ministers, and when I go to Washington tomorrow I will be discussing with my colleagues there the extension of these proposals, as well as continuing our work towards strengthening the system of international supervision. The Prime Minister, as he has just said in Prime Minister's questions, has agreed with other major countries on the need for a meeting of Heads of Government.

I believe that these measures are essential for the economy, but let me deal with the implications for the Government and, of course, for the taxpayer of those new proposals as well as others announced on previous occasions. When we nationalised Northern Rock, the Government had lent it around £30 billion. It has now paid back more than half of that ahead of schedule. When we nationalised parts of Bradford & Bingley, it was clear that we would run off its assets in an orderly way and get back as much as possible of the money that we provided to cover depositors. The injections of liquidity through the special liquidity scheme to which I have just referred simply allow banks to swap securities with the Bank of England, so the risk remains with the banks and not the taxpayer; in other words, we get our money back.

For all the operations of the recapitalisation fund announced today, we will be charging the banks on full commercial terms. We will hold a capital stake as part of the investment and that will include a payment of dividends on shares and the appropriate charges for the use of the guarantee ensuring that the taxpayer is appropriately rewarded. The implications for the public finances as a result of today's announcements will be exceptional and mostly temporary and, in fact, will protect taxpayers by ensuring stability in the economy now.

In return for this offer to invest in banks I will need to be satisfied that the banks have the appropriate policies in place: policies to prevent the irresponsible behaviour that we have seen in some parts of the global banking system. The public are entitled to share in the upside of these proposals, so in return for our support, we will be looking at executive pay, dividend payments and lending practices, particularly to home owners and small and medium-sized enterprises.

I want to say something about the three Icelandic banks; Landsbanki, its UK subsidiary, Heritable, and Kaupthing, which was put into liquidation within the last hour. The Financial Services Authority decided yesterday that Heritable could not continue to meet its obligations and today it has taken exactly the same decision for Kaupthing. I have therefore used the special powers that I have under the Banking (Special Provisions) Act to transfer most of their retail deposits to ING, the Dutch bank, which is working to secure business as usual for its customers to protect its savers' money. The rest of those Icelandic businesses have been put into administration.

On icesave, we are expecting the Icelandic authorities to put Landsbanki, which owns icesave, into insolvency. Despite the fact that this is a branch of an Icelandic bank, I have in the exceptional circumstances that we see today guaranteed that no depositor loses any money as a result of the closure of icesave and I am taking steps today to freeze the assets of Landsbanki in the UK until the position in Iceland becomes clearer.

Those actions demonstrate my strong commitment to protect UK retail depositors in these exceptional times. The purpose of these proposals is to get lending started again and to get the economy moving forward. It is one of a number of measures that we are taking to deal with specific cases as well as providing general support. We are ready to do more whenever it is necessary. Failure to act would have meant far greater risks to the economy and to the public finances in the future. I have made it clear that we will do whatever it takes to maintain stability, to protect savers and to rebuild the confidence to help businesses, people and the wider economy. I commend this statement to the House.

Mr. George Osborne (Tatton) (Con): I am grateful to the Chancellor not just for his statement, but for discussing it with me this morning.

This has, of course, been another day of turmoil on the financial markets, and people watching us remain desperately anxious about their savings, their mortgages and their future jobs. That is why we continue to offer our constructive support for the package announced today, including the important steps on interbank lending that the Prime Minister mentioned at Prime Minister's questions. Of course, as my right hon. Friend the Member for Witney (Mr. Cameron) said, the real test of the success of this rescue will be if credit starts flowing again through the veins of the economy. We want to see banks not just lending to banks again, but also lending again to the small businesses that need a loan extension and to the families who are trying to get a remortgage.

So may I ask the Chancellor the following specific questions? He said in his statement that he will require a full commitment to lending to small businesses and home owners. How exactly will that commitment be enforced? Does he have a commitment that the banks, for example, will not be charging small businesses 15 per cent. interest rates of the kind that we described on Monday? Does he have a commitment that the banks will pass on to customers the kind of rate cuts that the Bank of England has just announced today—and, perhaps, will also announce in the future? May I press him again on a question that my right hon. Friend asked of the Prime Minister? Does the Chancellor have a commitment that those banks that are most in trouble and most in need of taxpayer support will not be paying bonuses this year to their senior executives? The Prime Minister did not answer that question clearly and it would be good to have an answer from the Chancellor; there should not be rewards for failure—no bonuses for those who took their banks to the edge of bankruptcy. *[Interruption.]* Labour Members can ask the new Minister appointed in the House of Lords all about bonuses when they leave the Chamber. The Chancellor says that this is all the Financial Services Authority's responsibility, but it is the Chancellor who is ultimately responsible for tax money, and how is he going to enforce these commitments, because while the Government can give their support now and strike a deal now, they will, of course, find it very difficult to withdraw that support once it is offered without risking further crisis, so what are the real sanctions that the FSA or the Treasury have to help small businesses?

Secondly, may I ask the Chancellor about the concerns of people with savings in Icelandic banks? They will welcome what the Chancellor says, but may I ask for

some clarification for all our constituents? He says there will be no depositor losses as a result of the closure of icesave. Does that include—I assume it does—deposits of more than £50,000? Does it also include wholesale deposits, because, as I am sure he knows, many local authorities have large deposits with these Icelandic banks? Are their deposits protected as well? Also, where will this money ultimately come from? The FSA compensation scheme will be under considerable strain after the Bradford & Bingley deal. Is the Chancellor expecting, in the end, the industry to make a contribution? May I also ask whether the Chancellor has other plans for other UK deposits in other foreign banks that may be in difficulty at this current time?

Thirdly, will the Chancellor be using this moment to start driving through the longer-term changes we need to our system of regulation? There will be plenty of time to assess the mistakes that have been made and how we got into this situation, but one thing is clear: we must ensure that in future it is the banks and their shareholders who set aside capital, not the taxpayer. The Prime Minister talked in Prime Minister's questions about the banking Bill and the Bank of England's role in liquidity supervision, but is he going to consider giving the Bank of England new powers to manage overall debt levels in the economy, with perhaps an open letter system with the FSA?

Finally, may I also ask the Chancellor about the international front? We welcome the news of co-ordinated cuts in interest rates across the western world. He is, of course, travelling tomorrow to the meetings in the United States. What prospect is there of genuine co-ordination across western Governments on other areas of policy, such as support for financial systems, so that we can perhaps have some common approach to the guarantees that are being offered to different parts of those financial systems? On the broader economy, as we have just heard in questions the International Monetary Fund is now predicting negative growth for the UK, the biggest downgrade it has made of any major economy that it monitors.

In the Budget, the Chancellor predicted growth this year of 2 per cent. and 2.5 per cent. next year, and as the Prime Minister very helpfully just confirmed, when he was Chancellor he used the IMF meeting to set out what I think he called a broad pattern of growth, but what I seem to remember being very specific figures—he would often get out his downgrade before the pre-Budget report at the IMF meeting. Will the Chancellor be using this opportunity to predict growth, so that the country is fully prepared and aware of the very difficult economic times that lie ahead?

This is an extraordinary moment, when the British taxpayer is forced to step in and bail out the banking system, but let us be clear: we do this not to rescue the banks or the bankers, but to rescue the economy and the millions of families who depend on it. That will be the true test of whether today's package succeeds, and we all hope that it does.

Mr. Darling: I am grateful to the hon. Gentleman for his support. I am glad that I had the opportunity to speak to him and to the hon. Member for Twickenham (Dr. Cable), who speaks for the Liberal Democrats, earlier this morning and to explain what we were doing and why. I also very much welcome the spirit of cross-party co-operation, and I hope that it lasts.

I shall now deal with the various points that the hon. Member for Tatton (Mr. Osborne) raised, beginning with Iceland. This afternoon, we will publish further details about how the financial services compensation scheme intends to proceed. I have to tell the House that getting information out of Iceland is proving to be quite difficult. That country obviously has severe difficulties, and that is why I decided that I had to intervene. It would have been quite wrong to say to people covered by the Icelandic scheme, "Sorry, you've got to go to Reykjavik and try to get your money there." That is especially true when it is not clear to me whether the Icelandic scheme can be funded. So we have taken steps to freeze the assets of the bank involved, and I hope that we will be able to recover some of those assets in order to offset the money that we will have to provide to help people in the meantime.

The hon. Member for Tatton also asked about regulation. It is important that we learn from what has happened. First and foremost, we need to appreciate that, although it might have been sufficient in days past to allow a country to regulate within its own borders, it is now essential for a country that sees problems occurring within its own borders to discuss them with and report them to other countries. We saw problems in America, when that country was getting into the mire of the sub-prime market, and in the old days, that would have been a problem just for America, but it is now a problem for every country. So I think that the whole culture of and approach to regulation needs to change, and there are obviously developments that we need here—although I am bound to say that no one will convince me that we should go back to the old days when we had nine or 10 regulators in this country who were all tripping over each other. It would also be absolute nonsense to go back to the days of self-regulation. However, I believe that the Bank of England should now have a statutory role in ensuring financial stability—[Hon. Members: "Ah!"]—as I announced in January of this year. I am glad that there is support for that in every part of the House.

The hon. Gentleman asked about the proposals that I announced today. What I have done today is announce the principles that will underpin our approach. As I said, and as the Prime Minister said at Question Time, we will reach individual agreements with the banks concerned. If they choose to use the facilities that we are offering, we shall sit down and discuss the detailed proposals with them.

I am grateful for the Conservative party's support for our approach to the excesses that we have seen. It is far more interventionist than I had always understood the Conservative position to be, but we must make sure that we go down what is a fine line. We must ensure that the public interest is maintained and yet not get ourselves into a position where we somehow think that we can sit in a boardroom and take all the decisions for everyone. At some point the hon. Member for Tatton came perilously close to suggesting that, but it is important that we make sure that we deal with some of the damaging effects of the bonus system that we have seen over the past few years.

The final point made by the hon. Gentleman had to do with international co-operation. I believe that such co-operation is more urgent now than it has ever been, and that is why I believe that we should remain fully

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engaged in the EU, as the obvious place to start is right on our doorstep. I also think that we need to remain engaged and take a lead in making sure that we maintain stability by improving supervision and regulation internationally. That is very much the theme that I shall be pursuing in Washington this weekend.

Sir Stuart Bell (Middlesbrough) (Lab): I refer to the point made by the Prime Minister that the media have not yet homed in on the Government's medium-term financial strategy, under which £250 billion is being made available to small and medium-sized enterprises so that they can renew their overdrafts and loans when they mature. That is in addition to the £4 billion from the European Investment Bank and the £200 billion from the Bank of England's window. Both the Prime Minister and the Chancellor have referred to home buyers and small and medium-sized enterprises, as well as to lenders, borrowers and depositors, but not all this country's taxpayers welcome the measures that have been taken today as being in the interests of the wider community of which we are all beneficiaries.

Mr. Darling: I agree with my hon. Friend. I think that everyone in the House would acknowledge that all of us—whether individuals or small businesses—depend on an efficient and effective banking system. In many ways, in addition to helping banks recapitalise, the key measure today is the one that we are taking to guarantee lending. Unless banks start lending to each other over a wider period, we will merely see the existing problems continue. That measure is very important but, as my hon. Friend said, it is equally important that we see the benefit of that going to small businesses and individuals.

Dr. Vincent Cable (Twickenham) (LD): My colleague and party leader has already made it very clear that we support these measures as being in the national interest. They strengthen the banks and protect taxpayers' interests in a very difficult situation. However, the situation is fast moving: I think that the Chancellor is now aware that it has emerged in the past hour or so that eight London councils—and no doubt many others—have large holdings in Landsbanki. That problem will require his immediate attention.

The key question that I wish to pursue in relation to the Chancellor's statement has to do with how the investment in the banks is to be secured. When the IMF bails out countries, it imposes conditionality. How will the conditionality for the banks be enforced and monitored? How will the Chancellor ensure that the taxpayer's money going into the banks comes out at the other end, so that he is not in effect pushing on a piece of string? What sort of assurance can workers and companies have that, at the end of the month when salaries and bills have to be paid, the money will be there in the banking system?

Also on conditionality, I have been as stunned as the right hon. Gentleman has been by the sudden conversion of the champions of the bonus culture to advocates of a 1970s-style incomes policy. None the less, the Conservatives are right to say that there must be a fundamental change in banking culture. I hope that that will be carried forward in this programme.

I welcome very much the decision on interest rates, which is all the more powerful for having been done collectively. It represents a recognition that we are not, as the Chancellor said, simply dealing with difficult times. We are also dealing with different times that require a fundamentally different approach from central banks. The key point is that we are moving on from problems in the financial system to problems in the real economy. Ordinary people are going to ask, "If the banks can be bailed out, why can't we be?" In that context, will the Chancellor speak to the Justice Secretary about introducing new procedures for the courts, to ensure that repossession is the very last resort when people are experiencing serious difficulties with their mortgage payments? That is not the case currently for many of the creditors.

The Chancellor has been able to find £50 billion for the banks, so will he now ensure that the £8 billion that has been approved already for social housing is used rapidly to acquire the land and property that is becoming available at very big discounts, so that it can be made available for affordable housing? That would save many builders' jobs and prevent the new accumulation of toxic loans in the banking system. I think that we all acknowledge that this is the first and not the last step in what will be a very difficult process of recovery.

Mr. Darling: Again, I am grateful to the hon. Gentleman for what he has said. I am very glad that he has welcomed the action taken by the Bank of England to cut interest rates to 4½ per cent. I hope that he will recall that, when he pressed me two days ago to intervene and take away the Bank of England's independence, I said that I thought that the remit was adequate to allow it to do what was right—and so it seems to have turned out. I am grateful to the hon. Gentleman for his welcome. I am sure that the whole House and the whole country will welcome the reduction in interest rates, and I hope that banks will ensure that people benefit from it as soon as they can.

I agree that one of the reasons why we put in place today's intervention is that we need to be mindful of the fact that if we did nothing, the effects would spread into the wider economy. This measure, and others that we have taken and will take in the future, will try to deal with that. The hon. Gentleman referred to our announcement about housing. He is quite right: I want to see that through.

The hon. Gentleman asked about agreements following my announcement today. The Government will obviously have to reach an agreement with individual banks, and those discussions need to take place. He asked what teeth there were. May I give him one example? As he knows, banks in the UK are regulated by the FSA. If it imposes a regulatory requirement—for example, following a code on remuneration, rewards or bonuses—the regulated banks have no alternative but to comply. That is the whole point of a regulatory system.

The hon. Gentleman asked about the Icelandic banks, and the hon. Member for Tatton, who speaks for the Conservatives, also raised the question of councils. What we can do is make sure that we look after the retail depositors—the ordinary men and women who put in their money, and might not have fully appreciated that Icesave is a branch of a foreign bank and not incorporated in the UK. I understand the position of

local authorities, but they are in a slightly different situation, in that they are a more informed investor. However, as I said earlier, the situation is evolving; we are trying to sort the matter out with the Icelandic Government. I have had conversations with Icelandic Ministers—both the Prime Minister and the Finance Minister. In addition, one of my ministerial colleagues hopes to speak to the Icelandic Finance Minister again today.

On the point about the Justice Secretary, I have spoken to my right hon. Friend about the points relating to repossessions—not just today—and I am sure he will pursue the matter.

Mr. Michael Meacher (Oldham, West and Royton) (Lab): If £250 billion has been pre-emptively committed to securing the banks, for reasons that we all understand, how does my right hon. Friend envisage funding, presumably, stage 2 of his recovery plan—securing the real economy, manufacturing industry and jobs—if in fact a recession has already been set in train? I recognise that, of course, safeguarding the banks must come first, as clearly it must, but what leverage do the Government and taxpayers have to ensure that credit starts to flow freely again to businesses, mortgages and employment if long-term incentives have been given to the banks without—it appears—any enforceable conditions?

Mr. Darling: I am glad that my right hon. Friend agrees that we need to support the banking system. I refer him to what I said in the last few exchanges about how we propose to enter into agreements with the banks concerned. He rightly says that we shall need to take further steps to ensure that we protect the economy and jobs, which is something that I will return to in the pre-Budget report.

Mr. Michael Howard (Folkestone and Hythe) (Con): Does the Chancellor accept that yesterday's gyrations in the markets were due in large measure to leaks and briefings from the Government? Is it not the case that such preferential disclosure is both highly improper and probably illegal, so will he invite the Financial Services Authority to carry out an investigation into his Department and No. 10 to identify those responsible for such disclosure, and take all appropriate action in the light of the findings?

Mr. Darling: No, I do not agree with the underlying premise of the right hon. and learned Gentleman's question. Speculation, especially in relation to things that are highly market-sensitive, is deeply regrettable and it should not happen. I agree with him on that, but I do not agree at all with the other suggestions he was making.

Mr. Chris Mullin (Sunderland, South) (Lab): I am sure that my right hon. Friend shares the joy of the whole House that the shadow Chancellor has managed to wipe that perpetual smirk from his face. May I put it to my right hon. Friend that memories in the City are short? There is a danger—is there not?—that once this crisis has blown over, although it may take some time to do so, old habits will be reverted to. He may recall that in the 1970s the building societies got themselves into similar trouble, although not quite on this scale, and had to be bailed out by the then Labour Government, but before long they were back at it again. What assurance can he give that the measures he takes to deal with the excesses of the past will make sure that they never recur?

Mr. Darling: My hon. Friend raises a valid point. Memories can be short. In another 15 years, when there is another generation, there is that risk. That is why we have to make sure that our regulatory system is constantly kept up to the mark, to take account of the fact that markets change, practices change and people change. People forget what happened in the past, so it is important that we maintain a collective memory both in the private sector and also, I suspect, in the public sector. It is very important, and we need to make sure that the regulatory system helps us to do that. Companies themselves have a responsibility. The first line of defence against irresponsible risk taking ought to lie in the boardrooms of British companies, and directors of companies should never ever forget that.

Mr. George Galloway (Bethnal Green and Bow) (Respect): When the Liberals sound like Labour and the Conservatives like communists, the kaleidoscope has definitely been shaken—but while the pieces are in flux, why do we not reorder this world? What is so wrong about the taxpayer having a seat in the boardroom? Fifty thousand million pounds will buy a chair in any boardroom in the world. It would be taxation without representation, and will run the risk that the hon. Member for Sunderland, South (Mr. Mullin) has just adumbrated—that without a Government presence in the boardroom, those habits will soon be reverted to again.

The Chancellor and the Prime Minister have performed admirably and impressively over the last couple of days, but the real test will be how they respond to the crisis in the real economy. The country will not understand if banks can be bailed out but factories can go to the wall, jobs can be lost and the public can lose their houses.

Mr. Darling: I am grateful to the hon. Gentleman for his unaccustomed support for our position. I shall make the most of it.

In relation to Government nominees sitting in boardrooms, I never thought that a particularly useful course of action to follow—

Mr. Galloway: Oh yes you did!

Mr. Darling: Oh no I didn't—and now I know who wrote that column in *Private Eye*; I always thought it was the hon. Gentleman. I appreciate what he says, but as with so many of the other things he has said, we shall probably have to part company on it.

Mark Durkan (Foyle) (SDLP): I join other Members in welcoming the Chancellor's statement, the scale of the action the Government have taken and the calibration of the risk involved. The Chancellor said that in return for Government support for the banks, the Government will be looking at executive pay, dividend payments and lending practices. Will they also keep an eye on the banks' investment practices, so that they do not get back into speculating on futures and commodity indices so that they fuel energy and food price rises in ways that we have all suffered from? Can he assure the House that no matter what it takes, this will never turn into the

[Mark Durkan]

taxpayer being taken for whatever? To help in that regard, will he support the establishment of a special Committee of the House to oversee these exceptional measures—to oversee both how the banks use and respond to them, and the returns that come to the taxpayer?

Mr. Darling: I expect that the Treasury Committee, with good reason, probably believes that is one of the things it is supposed to do. I am sure that our right hon. Friend the Member for West Dunbartonshire (John McFall) will want to reflect on what the hon. Gentleman has just said. However, he makes a fair point. For good and understandable reasons, which I think are shared everywhere in the House, we have had to intervene in these exceptional circumstances, to maintain stability in the banking system. Banks, too, have to remember that they need the public's support. Just as in the good times they go out trying to win customers, I hope they also remember that in more difficult times people will appreciate it if the bank stands by them.

Mr. John Greenway (Ryedale) (Con): The Chancellor referred to the regulation of the Financial Services Authority. Another feature I should like to remind him about is the requirement for retail banks to abide by the principles of treating customers fairly. He has announced a very welcome cut in interest rates today, and we hope there will be further cuts to come. Surely, any banks helped by this system should treat their customers fairly by ensuring that those interest rate reductions are passed on to home owners and borrowers.

Mr. Darling: I am sure that many, if not most, people in this country agree with those sentiments.

Mr. Gordon Prentice (Pendle) (Lab): Given that we are compensating people who lost money in the Icelandic banks, does the Chancellor agree with me that it would be fair to look again at the collapse of Equitable Life, which, the parliamentary ombudsman tells us, was a result of a decade of regulatory failure? Would not people who lost money in Equitable Life look askance at people who put their money overseas being compensated when they were not?

Mr. Darling: The reason for my decision in relation to the Icelandic banks is the systemic problems that we now face in the banking industry. The Government will report on Equitable Life shortly, and of course the ombudsman's findings will be taken into account, but we also need to take account of the findings of Lord Penrose, who investigated what happened at Equitable Life at some length and concluded that that company was substantially the author of its own misfortunes. We have a duty to treat policyholders fairly, but, as people have been saying today, we also have a duty to be fair to taxpayers. I will report back to the House as soon as I can.

Stewart Hosie (Dundee, East) (SNP): I thank the Chancellor for advance notice of his statement. I very much welcome it because it is systemic and comprehensive, which I had asked for, and because the package as a whole is big enough to be very credible and to deliver confidence and stability. I hope that it does so. I particularly welcome the additional liquidity, and the fact that the Government will stand behind interbank loans.

The Chancellor said that he would guarantee that no depositor would lose money as a result of the problems at Icesave, and implicit in much of what he has said recently is that no depositor will lose money in the event of the failure of a UK institution. Notwithstanding my welcome for the package, I must ask him whether he stands ready to make his implicit all-deposit guarantees explicit, if required?

Mr. Darling: I am grateful to the hon. Gentleman for his comments on Icesave and what I said about the retail depositors there. I have always been clear that it is very important to protect the interests of savers and depositors and to give people reassurance. I have also said on many occasions that I will never rule anything out. In what we have done so far, approaches have varied from institution to institution. For example, there are legally binding guarantees in place in relation to Northern Rock, and in relation to Bradford & Bingley, we were able to transfer people's savings accounts to Abbey Santander, so they have the backing of one of Europe's biggest banks. We deal with these matters as we think appropriate, but the hon. Gentleman is correct: giving confidence to savers is important.

Joan Ryan (Enfield, North) (Lab): I welcome the package of proposals and the decisive action announced by the Prime Minister and the Chancellor this morning. Hard-working families in my constituency want assurances that the package will afford them greater protection and will not just be a bail-out for the banks. Will my right hon. Friend assure me that in the coming weeks and months, he will continue to communicate to those hard-working families that this Government's priorities are their savings, their pensions, their jobs, their homes and their security?

Mr. Darling: My right hon. Friend is absolutely right: we should all remember that, at the end of the day, we are here to look after the interests of the people we represent—the people of this country and their businesses. That is what we are here for. We talk about ensuring the stability of the banking system, but we must remember what that actually means to people: if we do not have a banking system that functions properly, the first to be affected are our constituents. We need to make sure that they are protected.

Angela Browning (Tiverton and Honiton) (Con): I welcome what the Chancellor said about Icesave today. A recently retired couple in my constituency sold their home and deposited all they have—the £740,000 proceeds of the house sale—in a six-month bond with Icesave, so they will be particularly pleased. The Chancellor said that he would give more information later today. Will he tell us when depositors will be given clear guidance on how to recover their money—I suspect that they will want to do so as soon as possible—and what sort of time frame he is working to?

Mr. Darling: The hon. Lady asks a perfectly good question. The financial services compensation scheme, which is the lead organisation for dealing with this matter, has already issued guidance and it will issue further guidance as soon as it can. For our part, as I said in reply to the hon. Member for Twickenham (Dr. Cable), we shall continue to pursue with the Icelandic

Government their responsibilities here. When one has responsibilities to people outside one's own country, it is important to stick by them. I understand Iceland's problems, and I hope that the authorities there will work closely with us to resolve them.

Phil Wilson (Sedgefield) (Lab): Does my right hon. Friend agree that the financial support for banks that he has announced today is the most comprehensive package in the world, that it puts us ahead of the game, and that it proves that the Government is not in the hands of a novice?

Mr. Darling: The steps that we have taken today are important, but I would say to the House that they are part of a process. What is going on in the world today has had severe implications in almost every corner of the world, and the reasons for these events are sometimes quite complex. Today's steps are important, but I hope that other countries will help. We need to do what we can to help our banks and the banks here in this country, but that support must be replicated in other parts of the world.

John Hemming (Birmingham, Yardley) (LD): The Chancellor will be aware that the tier 1 and tier 2 capital ratios are a better indicator of a bank's stability than its share price. The Financial Services Authority will not publish those capital ratios, although the banks themselves might do so. Will the Chancellor discuss with the FSA the potential for a mechanism whereby ordinary investors can have access to a list of the tier 1 and tier 2 capital ratios, so that we do not have this unhealthy concentration on daily movements in the share prices?

Mr. Darling: I cannot give the hon. Gentleman any undertakings on that today, but I will raise the matter with the FSA. I shall write to the hon. Gentleman and arrange for a copy of the letter to be placed in the Library.

Colin Burgon (Elmet) (Lab): Will the Chancellor put my fears to rest? I see the market putting its invisible hand into the pockets of the taxpayer, taking £50 billion away and perhaps putting up two fingers as well. Can we arrest that? Does he agree with me that, in the wider context, what the international crisis represents is the end of neo-liberal ideas about the supremacy of the market, and all that that means in the social and political spheres and every other sphere of our lives?

Mr. Darling: I was going to say, in the nicest possible way, that my hon. Friend sounds like a new Conservative, but I am sure that he does not mean to. I do not agree with everything he says. On the availability of funds, if banks choose to use the recapitalisation fund rather than raise money on the markets, it will be in return for, usually, preference shares, and they will be remunerated in the usual way. As I said, other agreements will go with that.

Mr. Andrew Tyrie (Chichester) (Con): I am glad that the Government have finally acted to recapitalise the banks. Of course, the litmus test of whether it works will be whether the interbank market unfreezes. The Chancellor has been closeted with the key banks for the past 24 hours. What estimate have they given him of the likelihood of an early unfreezing of that market—particularly before Christmas, which is one of the deadlines in his press release on the implementation of the scheme?

Mr. Darling: The hon. Gentleman knows very well that there is a lot of uncertainty in the market at present, but I hope that the measures will help. It will be helpful if our action is complemented by action taken in other parts of the world. One of the reasons why I attach so much importance to the meeting of the European Finance Ministers yesterday and the G7 meetings this weekend is that countries can do a lot themselves. Our interbank rate is lower than the United States' rate at the moment, and obviously we would all like to see it lower still, but it is important that countries—especially the larger developed economies—act together in relation to both the banking system and their wider economies. It is all about restoring and building confidence.

Mr. Geoffrey Robinson (Coventry, North-West) (Lab): I congratulate my right hon. Friend on his comprehensive and substantial set of proposals to restore confidence in the banking system, in which every citizen of this country has such a large vested interest. In particular, I congratulate him on his coup in obtaining a co-ordinated reduction in interest rates on a wide international scale, in which we know he played a leading role. As far as small businesses are concerned, I congratulate my right hon. Friend on the great measure that he has taken to provide liquidity and working capital requirements, which, as we all know from experience in our constituencies, is now very necessary. Only one point in his statement was not clear: are the shares that he proposes the Treasury have the right to subscribe to intended to be convertible? If not, I urge him to consider making them convertible, as that would ensure a further return to the taxpayer on another front.

Mr. Darling: Again, I am grateful to my hon. Friend for his support, and I agree with him about the decision taken by the Bank of England, which of course is independent of the Government; I attach considerable importance to that. The fact that it and the other central banks of all the major economies took the same decision at the same time sends a very important message. That very much complements what we have announced today.

Mr. Hugo Swire (East Devon) (Con): Many smaller companies, particularly those trading in the emerging markets, are reliant on central banks to minimise regulation. There has been evidence recently of some central banks blocking money. Given the importance of cash flow to those smaller companies, will the Chancellor consider extending the export credits guarantee system to cover some of those smaller trading companies?

Mr. Darling: I am not aware of central banks blocking lending. I am aware that some people in this country have experienced difficulty in getting access to funding through our banks, and we are looking into that. *[Interruption.]* I think that I can hear the hon. Member for East Devon (Mr. Swire) say, from a sedentary position, "South America". I would need to check the position there, because I do not want inadvertently to mislead the House on what is happening there. I agree with the hon. Gentleman that when we do have help, whether from the Export Credits Guarantee Department or the

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European Investment Bank, we must make sure that it feeds through to where it matters.

Dr. Roberta Blackman-Woods (City of Durham) (Lab): I, too, welcome the Chancellor's statement, and particularly his point about Northern Rock. Many of my constituents and others in the north-east benefit greatly from the decisive action that the Government took to rescue Northern Rock. However, will he say more about how the package of measures announced today will benefit savers in my constituency, and small and medium-sized companies in my constituency and throughout the north-east?

Mr. Darling: My hon. Friend is right to say that the action that we took on Northern Rock is now seen as having been the right thing to do. Clearly, things are still difficult for Northern Rock, as it is for other organisations, and as she well knows, it is also difficult for the people who lost their job with that bank. We are doing everything we can to help. The broader answer to her question is that if we had not done anything, the position would have gradually become more and more difficult. I think that the measures that we announced today will go a long way to help. Obviously, there are a lot of other things going on around the world at the moment, as is shown pretty graphically in the newspapers and on television every day and every night, but I think that the measure is a major step forward. To come back to points that have been raised by Members on both sides of the House, it is important that we try to persuade countries in different parts of the world to deal with the problem. The global economy is a reality now. It brings fantastic opportunities, but there are also some pretty big threats, and we have to deal with them.

Mr. Nigel Dodds (Belfast, North) (DUP): Along with everything else, people are worried about their savings, pensions, mortgages and jobs; that is what people are talking about all the time. I welcome what the Chancellor announced today, and we hope that it is successful, but people are also worried about tax. Will he indicate what the overall impact of the financial package will be in the short and, possibly, medium term, on the tax burden of the average hard-working family in this country?

Mr. Darling: As I indicated earlier, a lot of the money that we have been discussing today is money that the Government will fund through borrowing, but the money will come back. In relation to forecasts for the Government's borrowing generally, I will set them out in the pre-Budget report. However, I very much agree that it is important to protect jobs. I am glad that over the past 10 or 11 years we have been able to do a great deal and to achieve so much by working with the political parties in Northern Ireland, especially after the Good Friday agreement. Anyone who lives in, or visits, Northern Ireland will have seen a tremendous difference in the past 10 years. Ensuring that Northern Ireland is a good place to work and live, and ensuring that there are jobs, is very important.

Mrs. Claire Curtis-Thomas (Crosby) (Lab): I very much welcome what my right hon. Friend said about supporting small businesses, and I particularly welcome the aspiration to ensure that the Government pay all bills from small businesses within eight days. However, as I am sure my right hon. Friend will appreciate, many of the companies working for Government are large contractors that have a number of small contractors working for them. If those small contractors are to benefit from this fantastic initiative, which would undoubtedly save them from going bankrupt, my right hon. Friend will have to ensure that the large companies pass on that benefit to the thousands of small-to-medium-sized ones that support them.

Mr. Darling: I agree with my hon. Friend. As she rightly says, there are many companies that do not depend on the Government directly, but are sub-contractors. That issue is worth pursuing, and she might want to take it up with the new Secretary of State for Business, Enterprise and Regulatory Reform, our noble Friend.

Mr. Eric Pickles (Brentwood and Ongar) (Con): The Chancellor rightly wants to protect hard-working taxpayers, but some of those taxpayers also pay council tax. Is he wholly content, given what he has just said, that local authorities are informed investors, and their investments in Iceland will not be covered by the guarantee? Is he aware that we are not talking about trivial sums, but about hundreds of millions of pounds, and about some investments involving payroll? That will create a cash-flow problem. Is he wholly content that the burden should fall on council tax payers?

Mr. Darling: The point that I was making is that there is a distinction between the ordinary man or woman on the street—the retail investor—and others. I am aware of the problem for local authorities, and I will look into it, but my No. 1 concern is to make sure that we protect individual savers, and I am sure that we are at one on that.

Patrick Hall (Bedford) (Lab): My right hon. Friend will, I am sure, agree that the British people have an excellent track record of solidarity when it comes to putting up with difficulties in times of great national need, such as now. The British people will accept their share of the burden, especially if the action taken is seen to be both fair and necessary. Will my right hon. Friend therefore confirm that the review of regulation and remuneration in financial institutions being undertaken by Lord Turner will urgently address the need for fairness and transparency, so that in future we can all see that the system is operating properly?

Mr. Darling: I agree that the system needs to be fair and open. My hon. Friend is quite right that people accept the fact that somebody may be well rewarded for improving the performance of a company or working extremely hard. No one wants to stop that, but we do want to stop situations in which, by accident or as an unintended consequence, people are rewarded for doing things that seriously undermine the financial world, and which are bad not only for their company but for everybody else.

Sir George Young (North-West Hampshire) (Con): During the recess, the Government waived competition requirements so that Lloyds TSB could proceed with the takeover of HBOS. Ministers subsequently made

supportive statements. However, part of the instability in the banking system is due to continuing doubts as to whether the merger will go ahead. Will the Government use any increased leverage in both banks to bring that uncertainty to an end?

Mr. Darling: The decision to merge was taken on a commercial basis by the two companies, Lloyds TSB and HBOS. The Government's role was to waive the competition requirements that would have put an absolute block on it, because we think that a commercial solution would be far better. However, it is a decision for the companies. There are processes that need to be followed; not least, shareholders have to be consulted. That process is following its course now.

Mr. David S. Borrow (South Ribble) (Lab): My right hon. Friend referred to the effect on the markets earlier this week of weekend speculation about this package. I understand that at the end of last week, the Governor of the Bank of England gave a briefing to the shadow Chancellor. I wonder whether the Chancellor of the Exchequer could confirm whether that briefing was confidential. Is he of the opinion that that confidence has been kept?

Mr. Darling: The Governor of the Bank of England is entitled to meet whomever he thinks appropriate. I am sure that discussions between anyone and the Governor of the Bank of England will, in the normal course of events, remain confidential.

Mr. Edward Leigh (Gainsborough) (Con): Often, the gravest risk to accountability in this House lies when both sides agree; there is sometimes a lack of proper scrutiny. Given that there are now unrivalled risks to taxpayers and that, historically, Governments have a poor record of intervening in the marketplace, what is the Chancellor going to do to protect the interests of the taxpayer and ensure accountability to this House, through the National Audit Office and the Public Accounts Committee, for this taxpayers' money?

Mr. Darling: I am not sure whether that was the first discordant voice that we have heard this afternoon, and the hon. Gentleman is saying that he does not support what we are doing. If that is the case, I just disagree with him. As the Chairman of the Public Accounts Committee, he knows perfectly well that there are mechanisms—through that Committee and, of course, through the National Audit Office—for holding Government spending and Governments to account. That is not the only way; there is also the Treasury Committee, and I am accountable to the House, as are other Ministers. There is plenty of scrutiny, and we are very happy to answer questions.

Chris Ruane (Vale of Clwyd) (Lab): Has the speculation by the shadow Chancellor about recapitalisation helped the Chancellor or hindered him in his quest to bring calm and confidence back to the banking sector and the markets?

Mr. Darling: The right hon. and learned Member for Folkestone and Hythe (Mr. Howard) is no longer in his place, but I said to him earlier that we all sometimes have to be careful about what we say and that we need to choose our words carefully. The speculation over the weekend was unhelpful, but that is something that we just have to deal with. It is important that during normal exchanges and proper, healthy debates, people's views are properly explored. But whatever happened then, I hope that people will see today's announcement as an opportunity to make a step change and a real difference. That is what I would like to concentrate on.

Mr. Bernard Jenkin (North Essex) (Con): May I assure the Chancellor of the Exchequer that I was briefed by Irwin Stelzer on the need to recapitalise the banks—and I leaked that information?

Will the Chancellor enlarge on the potential liability to the taxpayer? The £50 billion for the recapitalisation fund will have to be raised by the Government. How will that money be raised? Will the Government issue bonds, simply print the money or sell more of our gold reserves? What will the interest charge be? How will that be paid for, particularly if the preference shares that the Government buy from the banks cannot pay dividends because the banks themselves lack distributable reserves?

Mr. Darling: As I said earlier, the money will be raised through the Government's normal operations when it needs to raise money. I also said that if firms choose to use the recapitalisation fund, the Government will take preference shares. That is pretty straightforward. The taxpayer will therefore be remunerated for those shares; of course, in due course they will be sold.

Several hon. Members *rose—*

Mr. Speaker: Order. We come now to the ten-minute rule motion.

European Union (Transparency)

1.33 pm

Mr. Mark Harper (Forest of Dean) (Con): I beg to move,

That leave be given to bring in a Bill to require a Minister to certify on a Government Bill or a statutory instrument whether or not the Bill or statutory instrument is a result of a decision of the European Union; and for connected purposes.

Our democratic system is based on the principles of transparency and accountability. I do not believe that any right hon. or hon. Member of this House would disagree that members of the public should know the origin of the laws that govern them. When my constituents, especially schoolchildren, come to Parliament, I often explain that, as with other Members of Parliament, one of my roles is to scrutinise the legislation brought before this House. Yet there is little clarity—indeed, much confusion—over the extent of the European Union's influence on the legislation brought before this House and the other place.

I bring in this Bill neither to praise nor criticise the EU per se, but to uphold the principles of openness and transparency on which our democracy is built. For more than a decade now, members of this House and the other place have been asking the Government what proportion of our law has been initiated by the European Union. No definitive number has ever been agreed. In 2006, the then trade Minister, Lord Triesman, estimated that

"around half of all UK legislation with an impact on business, charities and the voluntary sector stems from legislation agreed by Ministers in Brussels."

Other European countries have reached similar conclusions. According to the World Bank Group's review of the Dutch administrative burden in November 2006, EU regulations account for approximately 40 per cent. of all regulations implemented in the Netherlands.

In the 2003-04 Session of Parliament, my right hon. Friend the Member for Wokingham (Mr. Redwood) asked each Department what proportion of its legislation was introduced in response to directives from Brussels. Each Department revealed how differently it was affected, with estimated answers ranging from 0 per cent. to 57 per cent. Clearly, the proportion will vary each year according to the Department. However, Members should not need to ask retrospectively for estimates each year. We are legally bound to introduce the laws made by the European Union; the fact that legislation originated in Europe should therefore be made clear to MPs and members of the public when it is brought before this House.

Hon. Members will be familiar with the statement of compatibility with the Human Rights Act 1998 that Ministers must declare on the face of every Bill. In the same way, my Bill would ensure that Ministers declared whether a Bill or statutory instrument was the consequence of EU decision or EU legislation.

The Bill would be of particular benefit in respect of statutory instruments. So far in this Session of Parliament, more than 2,000 statutory instruments have been laid before the House, yet it is far from clear how many of those are implementing European legislation and how many are home-grown. My Bill will force Ministers to make the information clear, and thereby open up the legislative process. It will enable legislators and the public to understand the extent to which the European Union influences the laws of this country.

This is an important issue to raise, and not only because transparency is essential to the democratic process; there is considerable debate among the public about Britain's place in the European Union. The EU has been widely blamed—rightly or wrongly—for the introduction of home information packs and the Government's inability to expel criminals from the UK. The list goes on. Indeed, the EU has even been accused of trying to straighten bendy bananas; I shall not pursue that example as I know how sensitive bananas have become at the Foreign Office.

One of the main problems with the public perception of the EU is that its decisions can appear hidden from public scrutiny and its processes can appear unknown. Turnout at European elections is low, suggesting that the public do not feel involved in the European political process and do not understand how its decisions may affect their lives. If we asked the average person—indeed, the average Member of Parliament—what the four European institutions were, it would not be surprising if we drew a blank. Despite that, there is both great enthusiasm and great scepticism about the role of the European Union.

The information that the Bill would make available is particularly relevant given that the British Chambers of Commerce, an organisation committed to Britain's membership of the EU, has estimated that legislation sourced in Brussels has placed a £47 billion burden on British businesses. The question of the EU's influence on UK legislation is therefore not simply an academic exercise, but a pressing issue for businesses across the country—particularly at a time when businesses are increasingly hard pressed due to the worsening economic outlook.

Indeed, a recent report published by the BCC, "The British Regulatory System", highlighted serious shortcomings with the Government's impact assessment of EU legislation. That has left substantial costs to fall on UK business. Commenting on the findings of the report, Sally Low, BCC's director of policy and external affairs, said:

"If we are to see a better regulatory environment for business then the Government must be engaging earlier in the EU's policy making process. Our report highlights the fact that the Government is only focused on the UK end of EU legislation. There must be a clear linkage between events in Brussels and the UK's own consultation and Impact Assessment process.

Without timely engagement and substantive consultation the prospects of the UK influencing EU policy to the benefit of British business is severely limited".

If the full extent of the EU's influence on our legislation were clearer, there would be an even greater imperative to engage fully with the EU's policy making process. This engagement, as the BCC report highlights, has been far too little, far too late from this Government. Indeed, if it were clearer how much legislation already originated from the EU, that might make Ministers a little more cautious before they signed up to still more.

During the debate on the Lisbon treaty we had some opportunity to debate what role the EU should have. The Bill is not intended to reopen that debate; nor am I suggesting that it will completely enlighten the public about the role of the EU and its impact on the UK.

However, it would allow us to have the essential information as to the origin of any new laws being proposed in order that we may subsequently have a more informed debate about Britain's place within the EU. Although I am sure that Members will be aware of my views on this matter, I have come neither to praise the EU nor to bury it. In presenting this Bill, I want to ensure that the EU's role can be better understood and scrutinised.

When the right hon. Member for Rotherham (Mr. MacShane), who I am pleased to see in his place, was Minister for Europe, he said that to calculate the number of legislative measures enacted each year in the UK directly implementing EU legislation

"would entail disproportionate cost to research and compile".—[*Official Report*, 17 December 2002; Vol. 396, c. 755W.]

Such a statement leads me to question the extent to which the Government and this House are willing to put a price tag on openness and transparency. I understand the complexities of the process of adopting EU legislation, but such complexities should not make the process inaccessible and opaque.

My Bill enjoys the support of Members drawn from six parties in this House. My proposal is not a revolutionary one—it is common sense. I commend my Bill to the House.

1.41 pm

Mr. Denis MacShane (Rotherham) (Lab): I congratulate the hon. Member for Forest of Dean (Mr. Harper) on making a very moderate speech. I am grateful to him for remembering the modest contribution that I once made many years ago in serving Her Majesty on matters European. However, as so often with the Better Off Out group of the Conservative party, his speech and his Bill hide behind them concepts and problems that need to be unpicked.

I would have no objection if on the front of every Bill that came before this House there were some symbol or statement of its origin. The vast majority of legislation that has emanated from the EU has done so since the Single European Act was passed in 1986. That has had a huge impact on the legislation of 26 other countries. A great number of different groups in those countries think that the Single European Act, with its rather steam-rollering approach to enforcing free trade, is the child of the noble Baroness Thatcher, so perhaps on the front of every Bill across Europe that is connected with that Act we should have a nice picture of Margaret Thatcher to remind Europeans of where some of the best European legislation comes from.

The hon. Gentleman made heavy weather of trying to establish what percentage of our laws come from the European Union. If we think honestly about what takes up our time in the House, what worries our constituents and what fills the front pages of our newspapers, we find that very little is connected with the EU. Having already voted to outlaw wife-beating, I hope that later today we will outlaw child-beating. I do not know whether those on the Treasury Bench are of that mind.

Other issues ahead of us in the next few weeks include stem cell research, time limits on abortion, who might decide on the next police chief of London, identity cards, the length of detention for those suspected of serious terrorist crimes, university admissions and fees, our taxation policy, and what we heard about a moment ago from my right hon. Friend the Chancellor of the Exchequer, with the Bill that will follow. Those are all made-in-Britain laws. That is true in France, Germany, Poland, Sweden, Ireland, Finland and all members of the European Union. Of course, that which is connected to the Single European Act has to do with Europe.

In a debate earlier this year, I said that according to the Library—if I have time, I will read out some of its detailed statistics—only 10 per cent. of the laws that impact on us in the United Kingdom, adopted by this House principally through statutory instruments, emanate from the European Union. Then, to my horror, the right hon. Member for Richmond, Yorks (Mr. Hague), the shadow Foreign Secretary, leapt to his feet and quoted another right hon. Gentleman who had said that 50 per cent. or more of regulations came from the European Union. That right hon. Gentleman was the Prime Minister. Naturally, as a devoted admirer and fan of my right hon. Friend the Prime Minister over decades, I was very concerned thus to be put in my place. I wrote to the Prime Minister to see whether the right hon. Member for Richmond, Yorks had accurately quoted him. I have a letter here, very kindly addressed, "Dear Denis", and dated 30 April this year, in which he says

"that—on average—around 9 per cent. of all statutory instruments transpose EC legislation…I believe this is the correct figure."

In a debate in this House on 3 June, the right hon. Member for Hitchin and Harpenden (Mr. Lilley) said that about 80 per cent. of all legislation emanated from the European Union, quoting a German Government source. The BBC and others have been trying to find this German Government source—is it Goethe, Schiller, or Mrs. Merkel?—and find that they cannot. It really is not good enough to come to the House and quote anonymous Germans, whoever they may be, in defence of the preposterous position that 80 per cent. of all our laws come from the European Union.

Nevertheless, the right hon. Gentleman was in very good company. Only two weeks ago, I had the pleasure of switching on the "Today" programme before 7 o'clock to find Mr. John Humphrys interviewing my favourite Euro-comic turn, Mr. Nigel Farage of the UK Independence party. Nigel—I hope that he does not mind my being familiar, but we get on quite well—said that 75 per cent. of all laws in the UK were now decided by the European Union: 5 per cent. less than the right hon. Gentleman's figure. I do not know what had happened in the intervening two or three months. As Mr. Humphrys is usually so swift and vigorous in picking up anything that is a palpable untruth, I wrote to the BBC to ask whether that figure was going to be corrected or whether Mr. Humphrys could be politely asked, next time he hears this nonsense, from whatever source, to slap it down.

Before the European Parliament elections it is important that we establish certain accepted truths about the European Union. It is time to nail here in this House, and publicly, the lie that the EU is responsible for 80 per cent. of our laws, according to the right hon. Member for Hitchin and Harpenden, or for 75 per cent., according to Mr. Nigel Farage. I have here a letter from Mr. Malcolm Balen, a senior editorial adviser at BBC News. It is very friendly, but whenever someone from the BBC writes to one of us on these issues they go into a special room, cover themselves in grease, and then go for a swim in oil, so what he says is, to put it mildly, quite hard to

[Mr. Denis MacShane]

grasp. He turns to Mr. Mark Mardell, the BBC's excellent Europe editor, saying that Mr. Mardell

"has previously researched Mr Farage's claim, made on *Today*, that this figure is 75 per cent., and found that it is supposedly based on a German government statement, although no-one has actually discovered it.

Mark points out, however, that this whole area is a contentious one and that the last time he tried to establish an accurate figure he found the subject, in his words, too 'jelly-like' to nail down."

We are not dealing with jelly, but with laws made in this country that affect all our citizens. On that point, I completely agree with the hon. Member for Forest of Dean, but we have to avoid a circular argument. That Conservative party front organisation against Europe, Open Europe, issued a document recently stating that the smoking ban and the provisions we have for cigarette packs originated in Europe. In fact, Britain was one of the earliest countries—going back to when there was a Conservative Government—to bring in the "smoking damages your health" warnings. They made the case for it in Europe, Europe made it a European-wide law, which I support, and it then came back into our law. We are seeing law made in Britain transposed through Europe back into our own legislation. We end up in a Kafkaesque world, where ideas start in Britain, and during a period of many years they go to Europe and are agreed there. They then come back into our law and are blamed on the European Union.

This Bill does not contribute one whit to reform or educating the public. It is part of the continuing drive by the Conservative party, as we saw expressed at its conference last week, to cut all links with the ruling centre-right parties in Europe, and—if we were to experience the misfortune of their forming a Government—to take us steadily to the exit door of the European Union. I oppose this Bill.

Question put, pursuant to Standing Order No. 23 (Motions for leave to bring in bills and nomination of select committees at commencement of public business):—

The House proceeded to a Division.

Mr. Deputy Speaker (Sir Alan Haselhurst): I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The House having divided: Ayes 169, Noes 202.

Division No. 271] **[1.51 pm**

AYES

Alexander, Danny
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Austin, John
Barker, Gregory
Baron, Mr. John
Beith, rh Sir Alan
Bellingham, Mr. Henry
Bercow, John
Binley, Mr. Brian
Bone, Mr. Peter
Boswell, Mr. Tim
Brake, Tom
Breed, Mr. Colin
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Lorely
Butterfill, Sir John
Cable, Dr. Vincent
Campbell, Mr. Gregory
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clark, Greg
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Cryer, Mrs. Ann
Davies, Mr. Dai
Davies, Philip
Djanogly, Mr. Jonathan
Dodds, Mr. Nigel
Dorries, Mrs. Nadine
Drew, Mr. David
Duddridge, James
Duncan, Alan
Ellwood, Mr. Tobias
Evennett, Mr. David
Fabricant, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Francois, Mr. Mark
Fraser, Christopher
Galloway, Mr. George
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hammond, Mr. Philip
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heath, Mr. David
Hemming, John
Hendry, Charles
Hermon, Lady
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Hopkins, Kelvin
Horam, Mr. John
Hosie, Stewart
Howarth, David
Howarth, Mr. Gerald
Hunter, Mark
Jackson, Mr. Stewart
Jones, Mr. David
Kirkbride, Miss Julie
Knight, rh Mr. Greg
Kramer, Susan
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Laws, Mr. David
Leech, Mr. John
Liddell-Grainger, Mr. Ian
Loughton, Tim
Luff, Peter
Mackay, rh Mr. Andrew
Main, Anne
Mason, John
May, rh Mrs. Theresa
McCrea, Dr. William
McDonnell, John
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Milton, Anne
Mitchell, Mr. Andrew
Mundell, David
Newmark, Mr. Brooks
O'Brien, Mr. Stephen
Oaten, Mr. Mark
Öpik, Lembit
Paice, Mr. James
Pelling, Mr. Andrew
Penrose, John
Pickles, Mr. Eric
Price, Adam
Pritchard, Mark
Randall, Mr. John
Reid, Mr. Alan
Rennie, Willie
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Selous, Andrew
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Steen, Mr. Anthony
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Taylor, David
Timpson, Mr. Edward
Tredinnick, David
Turner, Mr. Andrew
Vara, Mr. Shailesh
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Watkinson, Angela
Webb, Steve
Widdecombe, rh Miss Ann
Wiggin, Bill
Williams, Mark
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilson, Mr. Rob
Winterton, Ann
Wishart, Pete
Wright, Jeremy
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
John Howell and
Mr. Peter Lilley

NOES

Alexander, rh Mr. Douglas
Anderson, Mr. David
Armstrong, rh Hilary
Austin, Mr. Ian
Austin, John
Balls, rh Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blizzard, Mr. Bob
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Burden, Richard
Burnham, rh Andy
Byers, rh Mr. Stephen
Caborn, rh Mr. Richard
Campbell, Mr. Ronnie
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cummings, John
Cunningham, Tony
David, Mr. Wayne
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dismore, Mr. Andrew
Dobbin, Jim
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Durkan, Mark
Eagle, Angela
Eagle, Maria
Efford, Clive
Engel, Natascha
Ennis, Jeff
Etherington, Bill
Fitzpatrick, Jim
Fitzsimmons, Mr. Robert
Flynn, Paul
Follett, Barbara
Francis, Dr. Hywel
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Goodman, Helen
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Hain, rh Mr. Peter
Hall, Mr. Mike
Hanson, rh Mr. David
Harris, Mr. Tom
Havard, Mr. Dai
Healey, John
Hendrick, Mr. Mark
Heppell, Mr. John
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodgson, Mrs. Sharon
Howarth, rh Mr. George
Howells, Dr. Kim
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, rh Alan
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Martyn
Joyce, Mr. Eric
Kaufman, rh Sir Gerald
Kemp, Mr. Fraser
Khan, Mr. Sadiq
Kidney, Mr. David
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Levitt, Tom
Lloyd, Tony
Llwyd, Mr. Elfyn
Lucas, Ian
MacShane, rh Mr. Denis
Mactaggart, Fiona
Malik, Mr. Shahid
Mallaber, Judy
Marsden, Mr. Gordon
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, Dr. Alasdair
McFadden, Mr. Pat
McGrady, Mr. Eddie
McGuire, Mrs. Anne
McKechin, Ann
McKenna, Rosemary
Meale, Mr. Alan
Merron, Gillian
Michael, rh Alun
Milburn, rh Mr. Alan
Miller, Andrew
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, Mr. Jim
Naysmith, Dr. Doug
Norris, Dan
Olner, Mr. Bill
Owen, Albert
Pearson, Ian
Pound, Stephen
Prentice, Bridget
Prescott, rh Mr. John
Primarolo, rh Dawn
Purnell, rh James
Rammell, Bill
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Robinson, Mr. Geoffrey
Roy, Mr. Frank
Russell, Christine
Ryan, rh Joan
Seabeck, Alison
Sharma, Mr. Virendra
Sheerman, Mr. Barry
Sheridan, Jim
Simon, Mr. Siôn
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Ms Angela C. *(Sheffield, Hillsborough)*
Smith, Angela E. *(Basildon)*
Smith, rh Jacqui
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Straw, rh Mr. Jack
Sutcliffe, Mr. Gerry
Thornberry, Emily
Timms, rh Mr. Stephen
Touhig, rh Mr. Don
Trickett, Jon
Walley, Joan
Waltho, Lynda
Ward, Claire
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, Mrs. Betty
Winterton, rh Ms Rosie
Woolas, Mr. Phil
Wright, Mr. Iain

Tellers for the Noes:
Mr. Adrian Bailey and John Mann

Question accordingly negatived.

Orders of the Day

Children and Young Persons Bill *[Lords]*

[Relevant documents: The Fifteenth Report from the Joint Committee on Human Rights, Legislative Scrutiny, HC 440, and the Twenty-third Report from the Committee, Legislative Scrutiny: Government Replies, HC 755.]

As amended in the Public Bill Committee, considered.

New Clause 19

SUPPORT FOR ACCOMMODATED CHILDREN

'After paragraph 8 of Schedule 2 to the 1989 Act insert—

"Provision for accommodated children

8A (1) Every local authority shall make provision for such services as they consider appropriate to be available with respect to accommodated children.

(2) "Accommodated children" are those children in respect of whose accommodation the local authority have been notified under section 85 or 86.

(3) The services shall be provided with a view to promoting contact between each accommodated child and that child's family.

(4) The services may, in particular, include—

(a) advice, guidance and counselling;

(b) services necessary to enable the child to visit, or to be visited by, members of the family;

(c) assistance to enable the child and members of the family to have a holiday together.

(5) Nothing in this paragraph affects the duty imposed by paragraph 10."'.—*[Sarah McCarthy-Fry.]*

Brought up, and read the First time.

2.9 pm

The Parliamentary Under-Secretary of State for Children, Schools and Families (Sarah McCarthy-Fry): I beg to move, That the clause be read a Second time.

Mr. Deputy Speaker (Sir Alan Haselhurst): With this it will be convenient to discuss the following: New clause 6—*Looked after status*—

'(1) The 1989 Act is amended as follows.

(2) In section 85(4)(duty of local authority when notified of child accommodated by health authority or local education authority) at end insert "; and

(c) consider whether, in the exercise of their functions under paragraph (b), the child's welfare is best safeguarded and promoted by being a looked after child."'.

New clause 24—*Responsibility for children in care who enter custody*—

'In section 20 of the 1989 Act after subsection (11), insert—

"(12) Where a child was accommodated by the local authority under this section immediately before being detained, the child shall continue to be deemed a "looked after child" for the purposes of section 23(1)(b) and section 24 of this Act save for the provision of accommodation."

(13) In this section "detained" means detained in a remand centre, a young offenders institution or a secure training centre, or any other institution pursuant to an order of a court."

In section 22 of the 1989 Act after subsection (1)(b), insert—

"(c) deemed to be looked after in accordance with section 20(12).".

New clause 26—*Support for family and friends carers*—

'After section 17B of the 1989 Act insert—

"17C Support for family and friends carers

(1) This section applies to a person ("P") who provides full-time care and accommodation for a child ("C") for more than 56 days but who is not—

(a) a parent of the child, or

(b) a local authority foster parent.

(2) A local authority shall assess P's need for financial and other support under Part III of this Act to care for C in any of the following circumstances—

(a) where the child comes to live with P as a result of a plan made following an enquiry under section 47 (local authority's duty to investigate) or a Family Group Conference;

(b) where the child comes to live with P following an investigation under section 37 (powers of court in certain family proceedings);

(c) where P has secured a residence order or special guardianship order in order to avoid the child being looked after, and there is professional evidence of impairment of the parents' ability to care for the child;

(d) where P has obtained a residence order or special guardianship order arising out of care proceedings;

(e) where P is providing accommodation for the child and then secures a residence order or special guardianship order.

(3) The local authority shall provide such support as is required to meet the needs identified by the assessment referred to in this section."'.

New clause 28—*Collection of statistics*—

'(1) The Secretary of State shall collect and publish annually statistics on the accommodation arrangements for young people who were in the care of a local authority on 1st January of the year three years earlier than the year in which the statistics are published and were over 16 years old.

(2) The statistics published under subsection (1) shall indicate in respect of the young persons the number who were with foster carers at the age of—

(a) 19, and

(b) 20.'.

Government amendments Nos. 8 and 9.

Amendment No. 13, in clause 9, page 7, line 41, at end insert—

'(e) C does not have more than three placements within a 12 month period or more than two placements within the last year of compulsory schooling.

(8A) If the requirement in subsection (8)(e) is not complied with, the local authority must provide C with a written explanation.'.

Amendment No. 14, in clause 10, page 9, line 14, at end insert—

'(c) a strategy with their Housing and Planning department for maximising the availability of foster care placements.'.

Amendment No. 18, in clause 11, page 9, line 28, at end insert—

'(2A) A local authority must offer the services of an independent reviewing officer to any relevant child for whom it is the responsible local authority.'.

Sarah McCarthy-Fry: It is a great pleasure for me to open the debate. I am conscious that, as we are on Report, there have already been many hours of debate and deliberation, of which I was not part, given that I have only just joined the Department. I thank my hon.

Friend the Member for Cardiff, West (Kevin Brennan) for his dedication and hard work in taking the Bill through its previous stages, and wish him well in his new post.

I shall introduce several Government amendments now and respond at the end of the debate to issues and questions that hon. Members raise. The first amendment grouping relates to three groups of children and young people: children who are provided with accommodation for three months or more under education and health legislation, the great majority of whom are disabled; children who are looked after or live with family and friends on the edge of care; and care leavers—relevant children who are 16 or 17 and former relevant children who are over 18.

I will start with the group of the children who are in accommodation arranged under health and education legislation. Amendments similar to new clause 6 were considered in Committee. The Government highlighted the serious defects in those amendments and explained why they would have no practical effect. I do not propose to repeat that explanation. However, we all share the ambition to ensure that social services are actively involved in a timely and appropriate manner when a decision to accommodate a child away from home is taken, so that consideration is given in every case to the child's social care needs and to the needs of his family for support, to enable them to sustain their involvement in their child's life.

Mr. David Kidney (Stafford) (Lab): May I congratulate my hon. Friend on her appointment to what is a strong ministerial team in the Department? May I also compliment her and the Department on how wide-ranging the amendments are and on how good the support is for families when their child is accommodated, perhaps hundreds of miles away from their home? That support includes help not just with travelling to meet each other, but even with going on holiday together. The proposal is a commendable amendment by the Government, who have responded to concerns raised in Committee.

Sarah McCarthy-Fry: I thank my hon. Friend for his intervention. It was important that the Government responded to the concerns that were raised in Committee. We considered our response when working with the Every Disabled Child Matters campaign—a campaign that I got involved in when I was first elected to the House and one that works so hard for disabled children. We worked with that campaign to see what more we could do to promote the welfare of that vulnerable group. I also had the opportunity to discuss the issue with my hon. Friend the Member for Stourbridge (Lynda Waltho) earlier this week, on my first day as Minister in the Department.

I am pleased to introduce the Government amendments, which will improve the well-being of the children concerned as part of a package that will make a significant contribution towards improving services for them. New clause 19 will require the local authority to have an appropriate tailored package of services suitable to meet the needs of children who are provided with accommodation under health or education legislation. In particular, the local authority will be expected to provide services that support the continuing active involvement of the parents in their child's life.

John Bercow (Buckingham) (Con): May I be the first from the Conservative Benches warmly to congratulate the hon. Lady on her deserved elevation? It is good to know that a long period of labour in the Back-Bench vineyard has received its just reward.

In welcoming the thrust of new clause 19, may I gently say that it is not entirely clear to me—I do not mean to be pedantic; this is a serious point—why subsection (4), in contrast with subsection (1), says that the services "may" include the three categories set out? If the concept of the core offer to be applied universally is in ministerial minds, might it not be a good idea for the new clause to say not that the services "may" include those categories, but that they "shall" include them? That is a minor point, however; I wish the new clause and the hon. Lady well.

2.15 pm

Sarah McCarthy-Fry: I thank the hon. Gentleman for his warm and kind words. I am not quite sure where the vineyard comes from, but we will worry about that later.

The point about the services and the support package that we will provide is that we will consult further on statutory guidance and regulations to determine what that support package may be. There is therefore still an opportunity—we are not being prescriptive—and we may be able to look at the matter further.

Lembit Öpik (Montgomeryshire) (LD): May I also welcome the hon. Lady, who has come from the Back-Bench vineyard? We know that the longer one leaves a wine, the more mature it gets.

I agree with the intention of new clause 19, but it is not clear whether the services referred to under subsection (4)(a) could be provided by relevant third sector organisations such as Youth at Risk and Regenerate, in respect of which I declare a non-pecuniary interest. Will the Minister consider allowing third sector organisations with a relevant interest in improving young people's fortunes to facilitate in the kind of guidance and counselling referred to the new clause? Is she willing to accept representations from those voluntary sector organisations on how they might be able to facilitate the outcomes that the new clause is no doubt intended to achieve?

Sarah McCarthy-Fry: I thank the hon. Gentleman for his invitation and his warm words. I am pleased to be able to say, in the spirit in which we consulted when tabling new clause 19, that we want to consult as widely as possible on how the support packages will be put in place. It is Government policy to encourage voluntary and third sector organisations to get involved in the delivery of public services. Voluntary sector organisations very often enjoy the confidence of parents and others with whom they have worked for a long time, who do not see the barrier that they might sometimes see between themselves and those whom they may consider as authority figures. What the hon. Gentleman proposes is certainly something that we would consider when we consult on how the statutory guidance goes forward.

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): I join hon. Members in congratulating my hon. Friend on her exciting new role. As president of Blackpool Advocacy, I mention independent advocacy virtually

[Mrs. Joan Humble]

every time I stand up to discuss such issues. Will my hon. Friend look into the importance of offering accommodated children access to an independent advocate? When she liaises with third sector organisations, will she consult with those that represent independent advocacy services, which in my opinion are vital to so many young people?

Sarah McCarthy-Fry: I thank my hon. Friend for making that very valid point. My earlier point about parents and looked-after children having trust in the relationship and the people advocating for them is important. I will take that forward as we put the guidance together.

The duty to arrange social work visits in clause 19 provides ongoing supervision for the placement that the local authorities will put in place and will ensure that the local authority can step in when there is any significant change in the child's circumstances. One of the most important services that local authorities can provide is to take all reasonable steps to maintain contact between the parent and the child. New clause 19 therefore specifically refers to services

"necessary to enable the child to visit, or...be visited by, members of the family"

and to

"assistance to enable the child and members of the family to have a holiday together",

as my hon. Friend the Member for Stafford (Mr. Kidney) pointed out.

The Government expect agencies to work together when making long-term plans to accommodate children away from home. The existing requirement in section 85 of the Children Act 1989 for local authorities to consider their Children Act duties when notified that a child has been provided with accommodation by health or education is complemented by corresponding provisions in regulations made under part III of the 1989 Act and by education legislation and guidance, and is reflected at the structural level by the duty to co-operate in section 10 of the Children Act 2004, which underpins children's trusts.

Effective inter-agency working is essential for such children. However, we recognise that in some cases inter-agency working arrangements are not as effective as they should be, so we will use regulations made under clause 19 to require a visit to take place within the first seven working days of a placement or notification of a placement, unless an initial assessment has already been carried out as part of the placement decision. That will provide the reassurance that children's social care professionals will be involved right at the start of the placement. It remains primarily the responsibility of the home local authorities to assess and provide services to meet the needs of the children being placed out of area under health or education legislation. Amendments Nos. 8 and 9 make that position clear beyond doubt.

I recognise that, for many children in long-term placements, parental engagement may unfortunately be difficult to establish or sustain. We will therefore strengthen statutory guidance to provide greater detail on the considerations relating to parental involvement and children's needs and on when it would be appropriate for the local authority to assume responsibility for providing accommodation under section 20 of the 1989 Act and thus for the child to become looked after.

Kerry McCarthy (Bristol, East) (Lab): I add my congratulations to those that have already been expressed to the Minister on her appointment. Will she confirm that when that statutory guidance is being considered, there will be consultation not only with groups such as Every Disabled Child Matters, which are obviously important in this respect, but with the families of the children, so that the guidance does not become something that they feel is being imposed on them by the local authority and that they are very much involved in the detail of it?

Sarah McCarthy-Fry: I thank my hon. Friend for that intervention, which comes back to the point that I have made two or three times on the importance of trust between the parents, the child and those who are assuming responsibility and finding placements for them, and supporting them. I will be happy to ensure that we consult as widely as possible in order to put the statutory guidance in place.

This is a comprehensive package of measures that was developed in partnership with the Every Disabled Child Matters campaign, which many hon. Friends cited in Committee. As Every Disabled Child Matters says:

"These duties will make a huge difference to disabled young people in long-term placements, who are often placed far away from home, and can struggle to maintain contact with their families. The amendment should result in practical support to help families stay in touch with their children, such as help with transport costs, and also with essential advice and support to promote a strong relationship between disabled young people living away from home and their families."

That is why the campaign wholeheartedly welcomes the amendment. As I have said, we will continue that constructive dialogue with Every Disabled Child Matters and other stakeholders, with parents and, of course, with hon. Members as we develop the regulations and statutory guidance.

As well as the Government amendments, hon. Members will discuss amendments relating to placement moves for looked-after children, support for kinship carers and strategies for securing sufficient fostering placements. In relation to care leavers, we will discuss support for voluntarily accommodated children who go into custody, reviews for relevant children and data collections relating to care leavers. As I have said, I will deal with all those issues when I respond.

Tim Loughton (East Worthing and Shoreham) (Con): First, I add my congratulations to those already offered to the Minister on her promotion and her joining the Department. It is an interesting brief that she has taken on, although we regretfully wave goodbye to the hon. Member for Cardiff, West (Kevin Brennan), who was a doughty champion of children's issues—both in his ministerial role and in respect of his general interest—on this and many previous children's Bills. He and I sparred on a friendly and positive basis over many years. He will be missed.

I shall speak to the amendments in the order in which they have been selected and focus on those that stand in my name and those of my hon. Friends. I shall refer first to Government new clause 19 and the concomitant amendments, which we very much welcome. I would certainly be churlish not to congratulate the Government on having listened to the not inconsiderable lobbying

from Every Disabled Child Matters and other interested parties. We supported the amendments in Committee, and the former Minister was sympathetic to what we were trying to achieve in doing so.

In Committee, I tabled new clauses 6 and 10, which endeavoured to achieve what these amendments are now achieving, and I am glad that the Government have found a formulation of words that has enabled them to add the proposals to the Bill. Ensuring that the welfare of disabled children in long-term residential placements is promoted and protected affects a relatively small number of children, but they make up an important and potentially vulnerable group and it is right that they should be given special consideration in the Bill, as they now are. That is why Every Disabled Child Matters has welcomed what the Government have done and described it as a dramatic step towards ensuring that all disabled children who live away from home are well supported.

We tabled our amendments in Committee in an attempt to require local authorities to consider whether disabled children in long-term residential placements should have the protection and support of looked-after children status and to retain the flexibility to ensure that the right solution was found for each child and family, but also to ensure that every child placed away from home in those circumstances had their safeguarding needs properly considered. It was not to be imposed on those children; it would have been done in consultation with the families to ensure that the right safeguards were made available to each and every child appropriately.

We welcome the amendments and, in particular, the practical support that I hope they will achieve in helping families to stay in touch with their children, for example, through help with transport costs—the Minister reiterated that point—and with essential advice and support to promote a strong relationship between disabled young people living away from home and their families. Strengthening the guidance as she has promised is welcome.

I echo some of the comments made by Labour Members, in particular the hon. Member for Bristol, East (Kerry McCarthy), who played a significant part in Committee. We must ensure that before the final regulations are devised, there is close consultation on them with the disability sector, but also with the families involved, because we are talking about a finite and easily identifiable group of children and their families.

Anne Main (St. Albans) (Con): May I ask that consideration be given to grandparents and that the terminology for families is looked at as broadly as possible? Too often, grandparents have difficulties maintaining access to grandchildren—in a divorce situation, for example—and the difficulties are manifold in situations such as those that we are discussing.

Tim Loughton: My hon. Friend is absolutely right. That is a key consideration that I am always aware of and which came up many times in Committee. When we talk about family, we are talking about not just the immediate family, but the extended family. As we know, grandparents are a lifeline in many cases, especially where there is a problem in relation to the child and the birth parents' ability to look after that child. I am sure that the Minister will take that point on board as well.

I welcome, too, the reference to strengthening the visitor role and, in particular, the immediacy of ensuring that a relevant professional visits and makes an assessment. Too often, the immediate concern is to find the placement and then the pressure is off, but finding the placement is only the first stage. We have to ensure that all the necessary support packages are in place, so I welcome the Minister's comments in that regard.

However, all this also hinges on the availability of the appropriate professionals, especially properly qualified dedicated social workers. We know about the problems related to the shortage of and turnover in social workers, particularly in the area of child protection and those with expertise in children with disabilities. That came up many times in Committee and it is quite a specialist area.

Promoting the duty to notify will also be part of these considerations. Ensuring that the responsible authority has liaised properly with the host authority is a problem for children within the care system—both those who are disabled and who are not disabled—when they are placed out of area, as too many children still are. I hope that fewer will be as a result of other measures in the Bill. We welcome the Government new clause and the amendments that go with it.

Our own lead proposal is new clause 24 and I need to notify you now, Mr. Deputy Speaker, that we would like the opportunity to vote on it. Given how the system works, that vote will come later rather than at the end of this debate, as our new clause is not the lead amendment.

The new clause introduces a relatively new subject in terms of amendments to the Bill, but that subject has been of concern to me and my Conservative colleagues for some time. It involves the role of children in care in custody—a group that is very vulnerable and too large. Some 10,000 children pass through the secure estate for juveniles every year. At any one time, as we know all too well, approximately 3,000 children under the age of 18 are in custody in this country. It is not a good thing that we have locked up so many children and kept them off the streets; it is a sign of failure that they should have to be in custody in the first place. Many of us will agree that we need to think and act smarter as to how we divert those children from the custodial estate.

2.30 pm

According to the Youth Justice Board, 71 per cent.—almost three quarters—of children in custody have been in the care of or involved with social services prior to entering custody. That is an alarming figure, again showing the failure of the state as the corporate parent, as three quarters of its charges in the custody system will have been in the care of children's services previously. That is an indictment of the system.

The "Care Matters" Green Paper noted that the majority of children in care—those under section 20 of the 1989 Act—lose their looked-after status on entering custody. The only children and young people with care status in custody are: those under a full care order of section 31; those classified as in need under section 17 of the 1989 Act by the local authority in which the establishment is based during their time in custody; those children on remand in secure training centres or secure children's homes; those 16 or 17-year-olds who have spent enough time in care to be "relevant children", which is the technical term; and finally, 18 to 21-year-olds who are former "relevant children".

The Green Paper did not go so far as to suggest that children entering custody should not lose their looked-after status. It did, however, suggest that children entering custody should be needs-assessed, and that individuals should continue to be supported as if they were a child in care. But any reference to children in custody was watered down in the "Care Matters: Time for Change" White Paper, to a requirement for social workers to visit previously looked-after children while in custody. The continuity of that arrangement is something of a postcode lottery.

Over the summer recess, Mr. Deputy Speaker, I am sure that you noticed and read from cover to cover the report produced by the Centre for Social Justice entitled "Couldn't Care Less". That excellent report was the result of a lot of research and interviews with people involved in the care system and the children themselves. The report states that the methods by which a child arrived in care should not influence the level of oversight and care that local authorities exercise over children in care who go into custody. Surely all children within the care system should be equal in the eyes of their corporate parent.

Let me quote some passages from the report, which are relevant to the need for specific action to be taken to give extra support and status to children in care in the custody system. It states:

"Children in care are being criminalised because Local Authorities are failing in their responsibilities to prevent them drifting into criminality. Mental health problems are left to deteriorate and neglectful Local Authorities provide more opportunities for children to be in contact with the police than to be in education or employment.

Once involved with the criminal justice system, it is difficult to disentangle children in care. The majority are placed in custodial settings: existing facilities do little to address the reasons why children commit crimes, nor do they teach them the skills necessary to live successful lives outside of prison. Local Authorities provide children in custody with poor support, both when they are in prison and when they leave it. As a result, many offenders with a background in care reoffend costing the taxpayer millions, and go on to experience a life burdened by unhappiness and dependency"—

effectively getting into a cycle of despair.

Mr. Kidney: In a little while, I hope to catch your eye, Mr. Deputy Speaker, to speak about new clause 26, which relates to support for children on the edge of care. However, the hon. Gentleman talks about support for children at risk of going to prison, but there is one stage missing on the list that he has read out. It would be immensely helpful if social workers turned up at court with the children for whom they are responsible, so that magistrates effectively had the representative of the parent in front of them.

Tim Loughton: As is often the case, the hon. Gentleman is absolutely right, and I completely agree with him. We need to do far more preventively to keep children out of the custody system. That means better, closer working with consistent social workers, who are able to have a closer relationship. For those at the edge of custody, however, it also means ensuring that the key support person gives assurances to a court that steps could be taken to keep that child out of custody. That would require all the support packages on which he and I agree and to which his new clause alludes.

The trouble is that 3,000 children are already in the custody system, of whom a majority are from the care system. When they get out, we need to make sure that they are supported appropriately and can go into a setting that will ensure that they do not return to custody, and that they get back into the mainstream as quickly and smoothly as possible. I am sure that the hon. Gentleman would fully agree with those intentions.

I do not want to read out the whole report, although some of its contents are startling. Another statistic that came out, however, is that only 2 per cent. of the current care population in prison

"were placed there due to socially unacceptable behaviour of their own, the majority are in care as a result of abuse, neglect or family breakdown."

They are not career criminals, but deeply damaged children from deeply damaged backgrounds, who find themselves caught up in a vortex of unacceptable behaviour, the only response to which is an unsmart, unsophisticated one of banging them up. That is not good enough, and it is also highly counter-productive given the recidivism rates.

For a child in the justice system—whether they are from the care system or not—at a young offenders institution, if placed on a sentence of less than 12 months, the recidivism rate is 92 per cent. That was the last statistic I heard. It is therefore virtually guaranteed that a child going into the system will make a career of offending. That cannot be right or helpful to the child, or to the community that must temporarily host that child before they get back on to the conveyor belt into crime.

We must consider the extra stresses on young people in prison. The Mental Health Foundation, for example, has estimated that rates of mental health problems among children and young people in the youth justice system are at least three times higher than those in the general population. Children in the care system are much more likely to have mental health problems, and are exponentially more likely to have mental health problems when they go into the justice system.

A vicious circle of deprivation exists. There is a triple whammy: perverse financial incentives to provide inappropriate kinds of custody; poor care, education and training in custody to prevent reoffending; and inadequate planning for release and support after leaving custody.

Mr. Charles Walker (Broxbourne) (Con): I am sorry that I have not read the report from which my hon. Friend has quoted. How much does it cost to keep a child in custody per year?

Tim Loughton: It is—*[Interruption.]*—a six-figure sum; that is what I am being prompted to say. Usually I have the figures at my fingertips. For someone who reaches the age of 18 who has gone into the youth custody system, I had a figure of well in excess of £1 million for all the costs of looking after them and of police investigations and detention. It is a substantial sum and much higher than the amount that could be put into prevention and early intervention to keep them out of the youth custody system in the first place. I am sure that the Minister would offer to write to my hon. Friend with the exact figure.

John Bercow *rose—*

Tim Loughton: If my hon. Friend has the figure at his fingertips, it will save the Minister writing the letter.

John Bercow: I am extremely grateful. I am not in the business of preventing a letter from being written, but pursuant to the point made by my hon. Friend the Member for Broxbourne (Mr. Walker), may I put it to my hon. Friend that it is often a question of spending now in order to save later? Does he not agree that the fact that there are 11,000 people in our young offenders institutions, of whom typically more than 60 per cent. suffer from speech, language and communication problems that prevent them from gaining access to education or training courses, is a damning indictment? Do not those people perhaps need an independent advocate or A. N. Other to trigger the provision of a relatively inexpensive service which will do those people and the country great good, and prevent the vastly increased costs that would otherwise be incurred at a later stage?

Tim Loughton: I thank my hon. Friend, not for saving the Minister from having to write the letter but for the point that he has made so well. He and I, along with other Members, discussed precisely that problem during a Westminster Hall debate this morning. We all agreed that, however the process is triggered—and there are different ways of triggering it—it is essential to ensure that early intervention support services are available to those with speech and language difficulties, autism and associated special educational needs. A disproportionate number of children in the care system suffer from communication difficulties of that kind which might have been avoided—or at least alleviated—through early intervention.

I want to make a few more points about new clause 19 before turning to the other new clauses and amendments in the group. It is the largest group on the list, so—as I am sure you will be relieved to hear, Mr. Deputy Speaker—I shall not be as verbose as this later.

If we are truly to help our most vulnerable young people, the children who are already looked after on entering custody should not cease to be looked after. They should be entitled to all the benefits conferred by section 20 of the Children Act 1989, bar perhaps the provision of accommodation by the local authority. That would ensure that all looked-after children entering custody did not become even more disadvantaged. In 2005-06, about a quarter of the number of boys and half the number of girls in custody were held over 50 miles away from their homes, according to the Youth Justice Board. Again, continuity of care in such circumstances is all-important. The new clause would ensure that local authorities were in a position to provide suitable accommodation and support for looked-after children leaving custody.

The new clause is also important in safeguarding the longer-term provision of support for many extremely vulnerable children who at present should qualify for leaving-care assistance under the Children (Leaving Care) Act 2000. A child is eligible under the Act if he or she is aged 16 or 17 and has been looked after by a local authority for 13 weeks or more, provided that the period began after the child had reached the age of 14 and ended after he or she had reached the age of 16. The 13-week period does not need to be continuous, but a series of pre-planned short-term placements of under four weeks at the end of which the child returns to the care of a parent, or a person who has responsibility for him or her, will not count. Periods during which a child is remanded in the care of the local authority or in remand in a secure training centre will count, but remand to a young offenders institution will not.

There are anomalies in the system, and it will often be difficult to determine whether or not a child is eligible. At present, a typical scenario that needs to be considered would involve a young person being placed under section 20 of the Children Act 1989 owing to his or her chaotic circumstances, possibly as a result of court proceedings and bail requirements, but then being remanded to a young offenders institution or sentenced to custody before the 13-weeks were up. The child would thereby lose any entitlement to leaving-care rights. The hon. Member for Stafford (Mr. Kidney) may wish to comment on that, as it is an issue of which he has a great deal of experience.

Ensuring that those accommodated under section 20 do not lose their looked-after status on entering custody will entitle such vulnerable children to the support that they need to make the transition from childhood to adulthood and independent living, hopefully at liberty as well. The implications for successful resettlement when they leave custody are clear. However, as things stand there is a perverse incentive working in the system. I do not say that it is being taken advantage of or that it is happening a lot, but there is a perverse incentive for a children's services department to foist a child in care on to the youth justice system so that the department no longer has responsibility, let alone financial liability, for the child. That is an enormous waste of money, and such deckchair-shifting is certainly not in the interests of the child—which, as always, must be our primary consideration.

2.45 pm

The points made by the hon. Member for Stafford in new clause 26—along with, I am sure, the points that he will make in his speech—echo points made in Committee, and I sympathise very much with them. The hon. Gentleman's aim is to increase support for "family and friends" carers. We have long championed—I tabled many amendments in Committee, which were supported by a number of members of all parties—the need to ensure that kinship care becomes a much more extensively used resource. It is still the case that only 4 per cent. of social worker-initiated placements are with kinship carers, which cannot make sense.

Despite the requirement that kinship carers should be at the top of the hierarchy of placements, they are still not getting enough of a look-in. Many of us will have been visited in our surgeries by, typically, grandparents who have offered to take on the care of a grandchild whose parents are deemed to be incapable of doing so, but are having to battle to gain that responsibility—and if they do gain it, many must then battle to obtain proper support and remuneration.

Miss Julie Kirkbride (Bromsgrove) (Con): My hon. Friend has just given the House a shocking figure relating to the number of placements with kinship carers. Why does he think so few people gain access to

[Miss Julie Kirkbride]

children with whom they have blood relationships? That seems absolutely bizarre, and perhaps answers the wider question of why children in care in the United Kingdom do so badly.

Tim Loughton: My hon. Friend has raised a good point, which she also raised—and we discussed—in Committee. It is a complicated problem, but I think that ultimately it is simply easier to place a child with a non-connected foster carer who may be on the local authority's books, and whom a social worker may know to be a safe pair of hands. The extra work involved, and the extra risk that may be involved, in taking on a new and unknown quantity in the form of a kinship carer can be enough to tip the balance.

I am not trying to attach blame to social workers; the blame lies with the system. As we know from last year's report by our own commission on social workers, they are still under severe pressure. The lack of continuity among them makes it very difficult for them to form the close attachment to a case that should be required for, particularly, very vulnerable children. In Denmark some 40 per cent. of placements are made with kinship carers, which shows that it can be done, but for some reason our system militates against it. All the evidence shows that that lack of investment is a false economy, and that children placed with kinship carers fare as well as, if not better than, children raised by unrelated foster carers.

Miss Kirkbride: I am grateful to my hon. Friend for allowing me to pursue the point. He is a great expert on these matters. Clearly, when a local authority goes out to look for foster carers it exercises a rigorous process of selection to ensure that the children involved will be safe and well looked after, in line with the high standards that we seek in a foster carer. Inevitably, if a child is placed with a kinship carer, the standard of parenting is likely to be lower because of the compensatory factors involved in the existence of a kinship relationship. How can local authorities solve that difficult conundrum?

Tim Loughton: I thought that my hon. Friend was going to mention a specific case that she and I discussed yesterday. A degree of political correctness had crept in: although the potential foster carers or, ultimately, adopters appeared largely to fit the bill in that context, some of their views were rather less acceptable. In fact, there is a degree of political correctness in the whole issue. We should be more willing to take a risk when there is a chance that a child may have a solid second chance of a stable life with a kinship carer.

We debated the matter for many hours in Committee. Anything that we can do to re-establish some stability in a familiar environment, with familiar friends and with family members who one can trust, must be preferable, unless there is a clear risk of harm to the welfare of that child, which must always be the overriding consideration, to placing a child with an unknown foster carer.

Angela Watkinson (Upminster) (Con): I wonder how widely family group conferencing, which is mentioned in new subsection (2)(a) of new clause 26, is used among local authorities. It was used by Essex county council when I was a councillor there. I understand that the concept started among the Maori community in New Zealand, where the idea of kinship was extended even further and a group of people were brought together who were involved in that child's life but were not necessarily family members. Those people worked together to prevent the child from being taken into care. I wonder whether there is a requirement on local authorities to investigate family group conferencing or is it a voluntary thing? How widely is it used?

Tim Loughton: My hon. Friend knows that we have raised the subject of family group conferencing before. It gained a lot of support from Conservative Members, and I think that other Members also felt that its use needed to be expanded much more. We tabled an amendment to reinforce the desirability of pursuing family group conferencing, but, alas, the harshness of Mr. Speaker's selection process has not allowed it to be debated today. I am sure that he is right in his decision; it is just a shame that we have not been able to debate that amendment. However, we have had an opportunity, through my hon. Friend, to say how much we support family group conferencing and getting everyone around the table: extended family members, close friends and all the agencies and professionals involved. That must be the best way to determine what is the best and most appropriate action for the child, because it means that all the opportunities are explored at the same time and kinship carers who want to put themselves forward can do so at the beginning and all the pros and cons of that option can be investigated, rather than adopting the all too common "We'll get back to you" approach. I seem to be lingering too long on a new clause which is not mine, but the hon. Member for Stafford will gather that there is support for what he is trying to achieve.

New clause 28 was tabled by the hon. Member for Mid-Dorset and North Poole (Annette Brooke) with whom I concur about the paucity of information about accommodation arrangements for 19 and 20-year-olds. Once again, we are frustrated by Government replies that say that those figures are not collected centrally, because we need that intelligence if we are to discover the extent of the problem, especially given the fact that it does not exist just to the age of 16 or 18.

I am aware that there is an amendment on the selection list tabled by the hon. Member for Warrington, South (Helen Southworth), on which we will reserve judgment until she has spoken about it. I will not try to pre-empt her, as I have the hon. Member for Stafford, but we had advance warning of what he is trying to achieve.

Amendment No. 13 is not rocket science and what it proposes is not new. In fact, we went back to the matter on numerous occasions in Committee. Basically, it is about trying to put a cap on placements. I know that that is fraught with problems, but there is a strongly held view that the biggest issue undermining the chances of looked-after children getting a decent second chance is instability in their placements. If they are constantly being pushed from one foster placement to another, for the convenience often of the system rather than for their convenience, because it is easier to take a child in care from one foster parent to another some miles away than to try to provide the support package that that child needs to enable them to stay with the first foster parent—the child may have complex needs—that must be detrimental to that child's ability to get back on the

straight and narrow. It must also be detrimental to efforts to secure some stability in the child's education, particularly when a new placement means moving from one school to another.

The amendment repeats the principles that we supported in Committee by trying to cap the number of placements that a child can have, other than in exceptional circumstances, particularly for those children who are reaching the last year of their compulsory schooling, when such moves can obviously have a detrimental effect on their capacity to take their exams and to pass them.

We know that the educational outcome figures for children in care remain appalling. In school year 11, 64 per cent. of looked-after children obtained at least one GCSE or GNVQ, compared with 99 per cent. of all school children, and 13 per cent. obtained at least five GCSEs or equivalent at grades A to C, compared with 62 per cent. of all children. That gap has been widening. Although the achievements of children in care have been improving, that has not happened at nearly as fast a rate as among children in general. That is unacceptable.

The amendment would fix a cap on the number of placements, and if that cap were breached, it would be judged an exception to the rule and the local authority would have to give a full explanation of why that had been allowed to happen and what had been done to prevent a repetition. Fostering is the backbone of the care system. Seventy-one per cent. of children in care are now in foster placements, but a National Foundation for Educational Research report found that 29 per cent. of children in care had had three or more placements during their secondary school years, and 25 per cent. of them had had six or more placements. Some survey work for a report by the Centre for Social Justice revealed that almost one in 10 of care-leavers interviewed had experienced more than six placements before they were 16 and that some had been in as many as 30. It also found that 41 per cent. of foster carers thought that stability would make the biggest difference to children in care. As David Holmes of the British Association for Adoption and Fostering said:

> "The one thing that would make a difference to children is having a strong relationship based on strong attachment, intimacy and trust with at least one trusted individual which is going to be there for that child."

Research has shown the importance of stability and continuity of care and its long-term effects on mental health. In a study carried out by the Royal College of Psychiatrists, adults who had been raised in stable foster homes and received specialist support from a dedicated fostering agency were found to be more socially well integrated.

John Bercow: It is always a pleasure to listen to my hon. Friend's mellifluous tones, but surely the overarching theme of our consideration in these remaining stages is the rights, chances and outcomes of some of the most vulnerable children in our society. Before he concludes his remarks, I wonder whether, referring to his important exchanges on 16 June in the Second Reading debate, he would care to say something about the arguments powerfully articulated by the hon. Member for Blackpool, North and Fleetwood (Mrs. Humble) for the independent advocate, which has not yet featured in our proceedings, but seems to me to be at the heart of the debate.

Tim Loughton: My hon. Friend makes a fair point, which is somewhat separate from the point here, because, again, I do not believe that Mr. Speaker in his wisdom has selected any amendments to do with the independent advocate. Therefore, he would not want me to traipse down that path, but hon. Members on both sides of the Committee had some sympathy with the proposal to enhance that role, particularly for the most vulnerable children.

If social workers do not have the time to get to know children in care, they will be less likely to understand their true needs and to make effective decisions about the right type of care for those children. Furthermore, overstretched social workers find it harder to support children than those who look after them throughout their placements. Continuity and stability must surely be key, which is why we have tabled amendment No. 13.

Finally, you will be relieved to hear, Mr. Deputy Speaker, amendment No. 14 raises a new issue. It is a probing amendment, so I trust that the Minister or any of my hon. Friends will not ask me to flesh out too much of the detail.

Councillors and those in children's services in various local authorities have mentioned problems with foster carers making adaptations to their houses or with housing a sufficient number of children, particularly in London boroughs. The shortage of foster carers is estimated at anything between 6,000 and 10,000 and there is a particular shortage of specialist foster carers to deal with complex needs and with some forms of disability, both physical and mental.

3 pm

Siobhain McDonagh (Mitcham and Morden) (Lab): I defer to everybody here—they are much more knowledgeable about this topic than me—but my concern regards potential foster children with physical needs and disabilities and the difficulties that foster carers have in claiming disabled facilities grants. Has the hon. Gentleman taken that into account?

Tim Loughton: That is part of the general principle behind the amendment. I am interested to hear the Under-Secretary's comments on it and to hear how that might be conveyed to those responsible in the unlikely event of her not wanting to accept the amendment.

For local authorities coming up with strategies for looked-after children, it is not just a question of "Have we got the right number of foster carers and the appropriate services?" It is also a question of trying to get some flexibility in creating the environments that enable more foster carers to come forward, or that allow more current foster carers to increase their responsibility, such that they could accommodate more children at home if they made some adaptations. That might involve various grants being available, as the hon. Lady has just said. It would certainly involve some leeway on planning policies in some cases. I would go well beyond my brief if I tried to suggest that there should be a change in planning policy guidance of any description.

Housing and planning departments must be included within the planning for foster care placements in particular. I can think of one London borough where this has happened informally and, as a result, there is a much higher number of foster carers and the authority is able

[Tim Loughton]

to make many more foster placements. More leeway could be allowed in terms of adaptations for children with disabilities or in the ability to accommodate more children, within the realms of safety; one is not trying to take risks. I wanted to place it on record in this probing amendment that housing and planning departments have a role in this as well, although one would not normally expect them to.

I am aware that I have taken up rather a lot of the House's time but this is the largest grouping of amendments. There are some important amendments among them but I certainly would wish to pursue new clause 24 in a vote later today.

Mr. Kidney: There was a time when I thought that "Report stage" was a misnomer for this part of our proceedings, because—except for those who had been on the Committee—what had happened before, and what was to happen next, to the Bill concerned was a complete mystery to Members. I was pleased to suggest a few years ago to the Procedure Committee and to the Modernisation Committee that we should have a report for the Report stage. The Library now does produce a report, and there is one for this Bill.

The hon. Member for Buckingham (John Bercow) mentioned advocacy. I can report back from Committee that the Minister of State said to me that the existing entitlement to advocacy to make a complaint or representation remained. In the case of a representation, that word should be read widely to mean as many things as people would like. The existing law gives quite good access to advocacy for youngsters. I know that the hon. Gentleman stressed the word "independent", and there is still an argument about how independent some advocates might be.

As I said earlier, the Government amendments are welcome and deal with a number of points that were made in Committee. Much of the debate in Committee revolved around visits to children in care who had been placed a long way from their homes. To some extent, the amendments give some reassurance. In the Bill there is also a new restriction on how often local authorities will place children in their care beyond the borders of the home local authority. That is very welcome. The Bill requires that local authorities placing both beyond and within their borders must ensure regular visits to the child where he or she is placed. That will help.

Mrs. Siân C. James (Swansea, East) (Lab): I am sure that my hon. Friend is aware that constituencies such as mine have cases where children have been moved because of the lack of appropriate accommodation—in one case from Swansea to Essex, making visiting almost impossible. Could we try to ensure that such placements do not occur?

Mr. Kidney: My hon. Friend makes a good point about focusing attention on reducing the need for children to be placed a long way from home and on the importance of keeping contact between children and their relatives. Distance could become a serious obstacle to maintaining that relationship. My hon. Friend is quite right: we should try to ensure that there is an even spread of specialist provision around the country, so that the nearest site is not too far away.

The amendments and new clauses in the group are about some special placements in a residential school, a residential health facility or a residential care home. The Govt amendments suggest that perhaps in the past there has not been enough attention on ensuring that the relationship between the child and his or her family is maintained strongly. The Government amendments are welcome in being so bold; they say that there shall be services for families to make sure those relationships are maintained. As I said, the amendments say that there should be help in keeping families in contact, including physical visits. Going further, there may be a case for holidays together, perhaps paid for or arranged by the local authority.

Another, technical, point—it is more related to the amendments at the end of the group rather than the new clause—is that quite often, as my hon. Friend the Member for Swansea, East (Mrs. James) has just said, the placement is in another part of the country within the area of a completely different local authority. Perhaps another weakness in the care system in the past has been the lack of engagement between two local authorities when one is the child's home authority and the other is where the child is currently placed.

In my area there is a well-known specialist psychiatric hospital with residential care for children and young persons. Children come from all over the country to be treated there. They will have come from homes in many local authorities around the country, and their families will be some considerable distance away. The Government amendment is welcome, because it stresses that the home authority is not able to wash its hands of a child because it has moved the child to a completely different part of the country and placed the child in the care of a specialist provider of treatment. It also stresses that there should be a good relationship between the home authority and the authority within which the child is currently placed. It will be to the benefit of families and children for there to be that acceptance by the two authorities that they must work together. For those reasons, I am a strong supporter of the Government amendments.

The hon. Member for East Worthing and Shoreham (Tim Loughton) mentioned my new clause 26, and I am pleased to urge the Government to do more to provide assistance to children and their families when a child is on the edge of coming into the care of a local authority. We know that, historically, the outcomes for children in care can be catastrophically bad in many situations.

Therefore, if there is a prospect of maintaining a child within loving caring relationships with blood relatives or friends who have known the child for many years, common sense tells us that in most cases that would be of benefit, and better than the alternative of care. In answer to this debate, I want the Government at least to say that it is their intention that the greatest possible effort will be made to ensure that children have the benefit of every possible alternative to care, when it involves family, friends and relatives, being considered, so that they can avoid the possible outcome of a poor experience in care. The Bill, of course, strengthens the requirement of local authorities to consider the importance of family and friends as possible alternative carers before considering a decision to take into care, and that is very welcome.

There is a briefing in support of new clause 26 from the Family Rights Group, within which there is a case study about a grandmother who was bereaved and therefore living on her own, and who took responsibility for a young grandson because both parents were incapacitated by drugs and drink problems and unable to be the carers. That grandparent found there was an extraordinary lack of support in terms of finances, practical help, respite care, support groups and therapy for the child in her care, and she was left literally holding the baby.

That struck a chord with me in respect of a case in my constituency I have been involved with for most of the last 11 years, involving a grandmother in a very similar situation who often had to contact me because she did not have the money or the breaks for herself, or the support for her grandson, for whom she had accepted responsibility because neither parent could manage. She did not have access to the right mental health services for the benefit of her grandson until her Member of Parliament weighed in on her side. It should not be the case that an acceptable service will be provided for a relative who steps in in such a way only if a Member of Parliament gets involved. By putting my name to new clause 26, I am seeking to underline the fact that it should be routine for local authorities to look for relatives who might be able to save the child from having to go into care at all, and to assess what kind of support will be needed for such relatives to be able to cope and make sure there are happy outcomes for that child, not unhappy ones.

John Bercow: The hon. Gentleman speaks with considerable wisdom and authority on these matters, and I hope he agrees that support can take a multiplicity of different forms. Let us take a scenario in which it is judged most fitting and appropriate for a child or young person to be placed in a residential establishment a significant distance from the home of his parent or guardian. Does the hon. Gentleman agree that if the parent or guardian wishes to see that child or young person and the feeling is mutual, it is important that poor socio-economic circumstances should not prevent that contact? To put it simply, does the hon. Gentleman agree that as a matter of course, not on the basis of a postcode lottery, transport costs ought to be paid or subsidised so that the good and healthy relationship that should subsist between parent and child is given the chance to be created and nurtured?

Mr. Kidney: Unreservedly, my answer is yes. By asking that question, the hon. Gentleman highlights a separate point about new clause 26 that I would like to touch upon. So far, I have been discussing the importance of a local authority giving assistance to family members to enable them to keep a child out of care altogether, but if a child ends up having to be in care, most of us would like that period of care to be as short as possible while any family problems are resolved, so that the child can be rehabilitated back into the family. If part of the period in care results in a placement a long way from home, perhaps for the reason of necessary specialist health care provision, it might be extremely important for the possible final outcome of the child being rehabilitated home that contact be kept up between the child and the family members who eventually will take over responsibility again for the care of that child on a day-to-day basis. Therefore, transport costs and other practical obstacles would be an important consideration for a local authority that was doing its job properly, because the alternative to doing its job properly would be to make it a self-fulfilling prediction that once the child was in care it would stay in care until adulthood. The hon. Gentleman has made an important point, with which I agree.

If the Minister intends to say at the end of the debate that she does not think there is any need for new clause 26 because the existing law says all that is necessary, in one sense I am inclined to accept her argument, because if every local authority fully implements the law—as the best authorities already do—there probably will not be a problem. However, I think she will agree that practice varies to an unacceptable degree between good and bad local authorities. Therefore, it is important for us to ensure that all authorities perform to an acceptable standard. One of the reasons why many of us try to insist on everything being written into the law is the fact that at least if something is in the law every authority knows it has to do it, rather than authorities simply being encouraged to do it, which might allow some of them to backslide. We would not want them to backslide on such an important subject.

3.15 pm

The Government already have a splendid policy document called "Every Child Matters", and not long ago they launched the implementation plan for it, which, happily, explicitly includes a section on supporting children on the edge of care. That is on page 11 of the implementation strategy, and it says by way of introduction:

> "The most important relationship for almost all children, whether in care or not, is with their family members: parents and siblings."

It goes on to emphasise that it is important for local authorities and social workers who are thinking about whether a care decision needs to be made to consider whether there are relatives or friends who are able to take the role of primary carers, to avoid that care decision being taken. It talks about analysing needs, supporting parents and parenting, and assessing whether there is a need for therapy. It also talks about the Government producing in due course a new framework for family and friends care.

I ask the Minister to say, in responding to our debate, that if new clause 26 is not necessary in law, that document on a new framework for family and friends care will, when it is produced, make it clear to every authority that they have to do the things new clause 26 proposes should be done. It would be useful to all those friends, family members, informal carers and grandparents who would like to be able to help in the future to know that there is some named contact or named part of a local authority team who they will always be able to get in touch with and expect a proper and constructive response. Therefore, perhaps the Minister will say at the end of the debate that there will be an emphasis on these matters in that document, when it is produced, and that there will be a named contact of somebody at the local authority to respond to the concerns of family and friends who want help in the upbringing of a child.

The implementation plan deals with many more issues as well, but at the end it says that there is a role for monitoring and evaluation of local authority performance. I agree with that. It stresses among those processes of

evaluation and monitoring the role of the Children's Rights Director, currently Roger Morgan. It is to be welcomed that he recently produced his annual monitor of what young people themselves think about the system of care in this country, and that in future he will produce that monitor in a particular format with six headings—subjects on which he will always obtain children and young people's views. It is to be hoped that over time that will give us some good, reliable and consistent evidence about how things are going, and help us identity local authorities that are not doing so well.

Mr. Andrew Turner (Isle of Wight) (Con): Will the hon. Gentleman skip back to the issue of people in the family looking after children? I think that my hon. Friend the Member for East Worthing and Shoreham (Tim Loughton) mentioned the figure of 6 per cent. here, and for Denmark the figure of 40 per cent. What does the hon. Gentleman think is the reason for this difference between Britain and Denmark?

Mr. Kidney: The hon. Member for East Worthing and Shoreham (Tim Loughton) said that in only 4 per cent. of cases will a social worker place the child with family and friends for care. As he said, in some continental countries, the situation is very different. I hesitate to say that I know very much about practices in Sweden or any other country, but I have heard people from Sweden speak about how they do things differently there. I have also heard people from Germany, Denmark and Spain talk about how they do things. Each version has some attractions, but I am mindful of the saying that the grass always looks greener on the other side of the valley.

I do not know enough to answer the question that the hon. Member for Isle of Wight (Mr. Turner) poses, but we do have the recent investigation of our performance and the UN convention on the rights of the child. Perhaps it would be instructive to read some of the criticisms of this country revealed in that investigation, including the hostile attitude to children in some parts of the media, which may make the environment in which we work different from that in Sweden.

I support amendment No. 18, tabled by my hon. Friend the Member for Warrington, South (Helen Southworth), about independent reviewing officers. I will leave her to explain the amendment's significance, but it seeks to address the situation of youngsters between 16 and 18, who are in a period of transition. We hope that they are being prepared for a life of independence after care, rather than pushed out of care too soon and with too little support. I hope that my hon. Friend will explain why we think that much more attention should be paid to that group, and much better arrangements should be made to support them. That is true especially with regard to their accommodation, so that they can successfully make the transition into becoming responsible adult citizens when they have eventually left care.

New clause 28 was tabled by the hon. Member for Mid-Dorset and North Poole (Annette Brooke) and I think that it is supported by the Fostering Network. It is about collecting information about youngsters who have been in care beyond the age of 18 and up to the age of 20, and it is designed to ensure that the Government collect the information about the staying put pilots, which regularly featured in the debates in Committee. Those pilots have enabled youngsters who are in foster care when they attain adulthood—and therefore their care ends—to stay in a successful placement with a foster carer beyond 18, and, crucially, for them to continue to receive support from the local authority, perhaps until they are established in a job or make a success of university education. In that way, their accommodation is not destabilised and the efforts that they and their foster carer are making are not undermined.

Mr. Brian Jenkins (Tamworth) (Lab): Does my hon. Friend agree that we should seek reassurance from the Government that every local authority will ensure that children in care—especially those with educational needs—who attain the age of 18 are not automatically made to start living independently, but are allowed to remain in long-term fostering until they have completed their education or training? Should not that be a child's right, rather than a local authority option to make that provision?

Mr. Kidney: I agree with my hon. Friend. The educational achievements of children who are, or have been, in care are historically poor, compared with their peers. Educational achievement is one of the many strong focuses of this Bill, and it includes provisions to strengthen the arrangements in schools to ensure that the special needs of children with a care background are taken into account in their education. His point reinforces the point that I have just made. If a young person, despite all the obstacles put before them, has made every effort to achieve good qualifications and has the ambition and drive to go to university—or to a college of further education to achieve vocational qualifications to improve their employability—we do not want a weakness in the arrangements for their accommodation to undermine their efforts.

I chair the associate parliamentary group for looked-after children and care leavers, and when we had a session on this issue, a foster carer told me about the attempts of a girl for whom she was caring to go to university, which were completely undermined because when she turned 18 she received no support from the local authority during the university breaks, when she came home and wanted to continue to live with her foster carer. In the end, the foster carer gave up being the foster carer—and therefore suffered financial loss—because she was so determined to see the girl through university. That was a commendable and brave decision, but not one that we, as responsible legislators, would wish to force on either of them.

John Bercow: The hon. Gentleman will be aware, because he is well briefed on all these matters, that the Commission for Social Care Inspection has described transition arrangements from secondary school to post-16 education as "a nightmare". Pursuant to what the hon. Member for Tamworth (Mr. Jenkins) valuably said a moment ago, does he agree that in seeking to trigger an improvement in the quality of post-16 education services, we should be ready to draw on the expertise and commitment of the voluntary sector? In particular, we should recognise the responsibility to do what is educationally best rather than what is administratively convenient, and not simply dump children with real difficulties in often wholly unsuitable pupil referral units.

Mr. Kidney: Again, I agree with the hon. Gentleman. There are some fabulous voluntary organisations that are active in that very sector. I make a plea to local authorities that may be doubtful about the added value of voluntary sector partners to recognise that they can make a huge difference to the quality of outcome for the young people concerned. Local authorities should embrace those partners wholeheartedly.

On balance, the Government's approach of setting out the legal requirements plainly and supplementing them with the strong guidance, codes and forward planning in documents such as "Every Child Matters" is right, provided that we maintain evaluation and monitoring and that we chivvy the local authorities that do not perform as well as most others do. Having said that, I support new clause 19.

Annette Brooke (Mid-Dorset and North Poole) (LD): May I belatedly add my congratulations to the Under-Secretary on her new position, to which we warmly welcome her.

I wish first to address new clause 19, amendment No. 89 and new clause 6. It is vital to ensure that the welfare of disabled children in long-term residential placements is promoted and protected. I welcome the process by which we have reached these amendments. We talked at great length about the possibility of looked-after status for children placed in long-term residential homes and other settings, both on Second Reading and in Committee, and we had a good response from the Minister in Committee. I may have retained some slight doubts, as I tabled the amendments again immediately after the Committee stage, but I am delighted that new clause 19 and Government amendments Nos. 8 and 9 are before the House today.

Clearly, it has been a productive summer for Ministers and officials, as they have continued their positive engagement with the Every Disabled Child Matters campaign on this issue. That organisation has said that new clause 19 and Government amendments 8 and 9, along with their accompanying package of regulations and guidance, are a dramatic step towards ensuring that all disabled children who live away from home are well supported and kept safe and that they maintain good contact with their families. That brings a warm feeling, and I hope that it all works.

Also important has been the clarification that local authorities will retain social care responsibility for children whom they place, and that will be especially helpful in ensuring that children's needs are met. I welcome the Minister's earlier assurance that the consultation on the regulation will be of the fullest nature, and that it will include a wide range of organisations and, of course, the families themselves.

3.30 pm

The debate has touched already on the role of visitors. Will the visitor always be a qualified social worker with experience of working with disabled children? As has been noted, it is very important that the two local authorities are truly engaged when there is a placement away from home. Despite current regulations, however, we know that the necessary notification does not always take place. What steps will be taken to promote and clarify notification duties when one local authority makes a placement in another local authority area? Nevertheless, I am extremely hopeful that the measures before us will offer a new level of protection and support for disabled children and their families. They represent a very exciting move forward.

The hon. Member for East Worthing and Shoreham (Tim Loughton) has said that he intends to press new clause 24 to a vote, and I can assure him that my colleagues on these Benches will be very pleased to support it. Among the many tragedies involving children, two are especially awful. The first is that 3,000 children are in prison, and the second is that a high proportion of them have been, or remain, in the care system. Those are very vulnerable children, and we have to give them every possible support. We must address as a matter of urgency the problem that some appear to fall through the net and out of care status.

Another reason why it is important to fill the gaps is that there can be nothing harder for a young person leaving custody than to find that there is no support when it comes to finding accommodation. That has to be one of the most difficult situations for a child to be in, and it is vital that we close what appears to be a loophole in the law. We must make sure that children in care leaving custody are supported in their search for accommodation.

I also welcome new clause 26. In Committee, there was a great deal of debate about the enormous importance of kinship caring. Lots of fine words were probably spoken about promoting kinship caring, and about the need to make sure that good practice was established and spread. Some local authorities are very good at that, but we need to make sure that every child has the same opportunities. As the hon. Member for Stafford (Mr. Kidney) said, we have to make the greatest possible effort to tackle the problems faced by a child on the edge of care.

In Committee, I was not convinced about the level of support that might be offered to kinship carers. Yes, there has been some movement in that regard: some money is to be made available, but I still come across kinship carers who, for whatever reason, are not foster carers and who are under considerable financial pressure. I feel that that problem needs further consideration, as does the question of the practical support that a grandparent might need when taking on the care of a child.

Mark Williams (Ceredigion) (LD): My hon. Friend will be aware that clause 24 proposes the deletion of a local authority's discretion under section 17 of the Children Act 1989 to make payments only "in exceptional circumstances". That is a welcome step, but does she agree that we need further clarity about the sort of support that people—and especially grandparents—can expect from the local authority? Would not a further explanation from the Minister be helpful?

Annette Brooke: My hon. Friend makes a valid point. As he says, clause 24 was a welcome step but I do not feel that it is sufficient and I hope the Minister will be able to give us clarification and general support on that point.

New clause 28 is a probing provision, but it backs the strong cross-party support I felt for the desirability of 18 to 21-year-olds being able to stay on with foster carers. As has already been pointed out, because young

[Annette Brooke]

people in care are particularly vulnerable and may have missed out on education, they may still need support between the ages of 18 to 21 while they complete education that might in other circumstances have been completed earlier. We all know that the average age for leaving home is now 24—I fear from personal circumstances that it is even higher—*[Interruption.]* Well, the returns get older and older. The average age first time around is 24, but in foster care it is 16 or 17. I could go on and on about this, but we all felt how desirable it would be to offer the proposed support, when a young person wants it.

Helen Southworth (Warrington, South) (Lab): Does the hon. Lady agree that stable accommodation is absolutely essential for any young person leaving care? Leaving care requires additional support in many ways, so does she believe that Ofsted should have the information she is requesting, to be able to make a satisfactory inspection of the performance of local authorities in supporting care leavers?

Annette Brooke: I thank the hon. Lady for that extremely helpful intervention. It is always useful when somebody takes something a step further than one had thought about oneself.

We all accept the desirability of the proposal. We have pilots and I am delighted that there is one Dorset, so I shall have some first-hand information. I understand from the Fostering Network that the statistical returns that local authorities are required to make at present cover supported lodging and ordinary lodging, and there is no definitive category for 19 and 20-year-olds who remain with foster parents. I put it to the Minister that it would be desirable to monitor how many young people are facilitated in staying with foster parents at that older age. It would also be a useful indicator for Ofsted.

John Bercow: I agree with what the hon. Lady said, but I notice that rather self-effacingly she suggested that her new clause was of a probing character. Given that the absence of data and of an obligation to collect such data constitutes a cloak behind which bad practice can be hidden from the public gaze, does she not agree that it is rather important that we adopt the principle that transparency—knowing what the situation is—will be the decisive trigger to spur improved performance in the future?

Annette Brooke: I thank the hon. Gentleman. Using the word "probing" does not undermine the importance of the proposal, but I wrote the original amendment myself and did not want to lose my argument because it was technically deficient—it is frequently pointed out to me that there is a technical deficiency. I do not really care about the technical deficiency; I think the point is important and I should like the Minister in her response to concentrate on the issue exactly as the hon. Gentleman suggests.

Finally, I sympathise absolutely with the objectives of amendment No. 13, although I am not quite sure about its implementation. Amendment No. 14 is extremely interesting and I shall make a judgment on amendment No. 18 when the hon. Member for Warrington, South (Helen Southworth) has spoken to it.

Helen Southworth: I welcome my hon. Friend the Member for Portsmouth, North (Sarah McCarthy-Fry) to her new post as Under-Secretary of State for Children, Schools and Families. She is joining a team that has proved to be extremely effective in working on behalf of young people. I am sure that she will not only enjoy her position but make an effective contribution to meeting the support needs of young people.

Government new clause 19 is incredibly welcome on two counts: first, because of how it has been developed, and secondly, because of what it sets out to do. It is extremely important that the people who use services are key in deciding how they are given support. We have seen exemplary practice in the development of the Government's relationship with disabled young people and their families and carers in drawing up the new clause and in the direction of the Bill as a whole. I strongly recommend the methodology employed, which has brought disabled young people and their carers directly into the decision-making process. I recognise how important the measures introduced by the new clause will be to improving the quality of life of young people and their families.

I shall refer to new clauses 24 and 28 in my comments on amendment No. 18, as the amendment would enable many of the measures in the new clauses to take effect by requiring a local authority to offer the services of an IRO to any relevant child for whom it is responsible. The reason why the amendment is structurally so important in the delivery of the Bill's provisions is that it would make fundamentally clear the right of a looked-after child to remain a looked-after child until an agreement is made that it is in their best interests to move on from looked-after status. It would also ensure that when they make that move, the transition is properly supported by a person who is qualified and experienced and has statutory powers.

Angela Watkinson: Judging by the hon. Lady's comments, I am sure that she agrees with me that putting very young people—perhaps as young as 16—into council tenancies without any support is wholly inappropriate, when they have had a chaotic upbringing and lack the life skills or the self-discipline to live independently. That is precisely the sort of situation we want to avoid. They need real and continuous involvement of a social worker to ensure that they are coping in newly independent circumstances.

Helen Southworth: I am sure that the hon. Lady is as aware as I am of the fact that the majority of young people move into fully independent living at approximately 24. That is not to say that they are incapable of making decisions or acting to support themselves before then; it simply means that young people do not wish to be alone and unsupported. We should not leave unsupported young people who have been in local authority care and who are vulnerable because of that. I agree with her on the principle. Although we might sometimes wonder whether young people are capable of taking on those responsibilities, none of us is capable of living alone, in isolation—none of us is an island.

Independent reviewing officers are registered social workers who are independent of the management of the looked-after children's cases that they review. They chair all looked-after children's statutory review meetings,

and from that position they can identify problems in the children's care and any lack of clarity in the care plan. They therefore have a crucial role in promoting the best interests of the child.

The Children and Young Persons Bill strengthens and extends the role of the independent reviewing officer by introducing a duty on them to monitor the local authority's performance of its function in relation to a child's case. Amendment No. 18 would place a statutory duty on local authorities to offer the IRO's services in monitoring the care and pathway plans of all young people up to the age of 18, regardless of where they live. That is incredibly important when one considers the young people whom we have identified. They include those who are moving on to independent living and who have lost looked-after status, and those serving a custodial sentence.

3.45 pm

I want to look at the needs of young people aged 16 to 18 who are moving on to independent living, including those to whom the hon. Member for Upminster (Angela Watkinson) referred. What is happening, in practice, to them? Why do the provisions matter? Why is it essential to the success of a pathway that such young people have access to an independent reviewing officer? At the moment, information on how many children become what is known as "relevant" rather than "eligible" children is in many ways inadequate, but recent data from the Department for Children, Schools and Families suggest that 26 per cent. of young people leave care in their 16th year, and 19 per cent. leave care in their 17th year. When those people leave care, they are no longer "eligible" children, but become "relevant" children—children who, if amendment No. 18 is made, would benefit from an independent reviewing officer. That means that more than 40 per cent. of young people in care would not, as the Bill stands, get the considerable benefit of access to an independent reviewing officer, but would if the amendment were made.

It is incredibly important to consider what is actually happening to those young people. Young people who leave care at 16 or 17 are likely to be particularly vulnerable. Many of them will have had difficulties with the care environment. They are moving out of support, but sometimes they feel that they are taking a step that gives them some control over their lives. The Rainer "Home Alone" report published last year says that housing continues to be a problem for those young people. To reiterate the statistics that we heard earlier, it says:

> "Almost one third of rough sleepers have experienced local authority care as a child and 61% of young people have moved more than three times since leaving care…16% of care leavers…were not in suitable supported accommodation. This means that…one in six care leavers assessed were not receiving appropriate support with their housing needs."

The report gives examples of the severity of the processes. One young person was described as experiencing

> "frequent harassment and discrimination from other tenants. The worst example saw her burgled and her pets were killed".

That girl had left care, aged 16, after six and a half years as a looked-after child.

There is example after example of young people being placed in inappropriate accommodation that does not support their needs. As a Member of Parliament, I have had constituents come to me who needed help because they were placed in unsupported accommodation. Young people have been placed in homelessness units with people who have drug dependencies and criminal records. Young people have been placed in a residential setting with people with whom, when they were looked after, they would not have been allowed to mix. Time and again, we all hear of examples of failures in the system for "relevant" young people. I am speaking of the experience not of most young people, but of a very sizeable minority. However, there are very vulnerable young people who experience extremely difficult—and in some cases dangerous—outcomes. At that stage, what chance do they have to get an education, an apprenticeship or a job? That is the question that the Bill has to address, and this is our opportunity to do so. I hope that in answering the debate, the Minister will give us clear indications about how she will use the Bill and the regulations that support it to make sure that this set of issues is addressed.

We have to ensure that every young person who leaves care has a full review that determines whether they are a looked-after child or a relevant child—what category they come into. I hope that the Minister will give a clear indication of how that process will take place and what the role of the independent reviewing officer will be. She has already said—in Committee—that no child would be able to leave a foster care placement or a residential placement for other arrangements without a review case having been held with the independent reviewing officer at which it has been agreed that it is in the best interests of the child to move into the alternative accommodation.

In addition to that, we need a clear and categorical commitment that no child can leave looked-after status and become a relevant child without a reviewing officer having decided that that is in their best interests. Furthermore, if there is a failure of accommodation—because it is unsuitable, because it is temporary and permanent accommodation has not become available, because there is some failure in the tenancy or because the young person has problems with family or friends which mean that they need extra support—there has to be a trigger mechanism that enables them to draw on transitional help, or, if necessary, gives them access to looked-after status again. At the moment, a young person does not have access to an independent reviewing officer when they have left care.

Angela Watkinson: I am sure that the hon. Lady is aware that there are occasions when a young person is referred by their local authority into a different area and the receiving local authority is not even aware of their presence. That is an obvious opportunity for things to go wrong and for there to be nobody to put the situation right.

Helen Southworth: The hon. Lady is absolutely right. There are measures in the Bill that will reduce the number of young people being moved out of area; that is an incredibly important and praiseworthy step. However, there will still be young people who are moved out of area. The hon. Lady has touched on an issue that I wanted to raise: that of young people in custody, who are frequently moved away significantly from their areas.

[Helen Southworth]

The current position is that if a young person moves into custody and is looked-after because of a court order, they will remain in receipt of looked-after status. If they go into custody having been subject to voluntary accommodation they will lose looked-after status at that point. Under the Bill, a young person with looked-after status cannot move into other accommodation and, if we get the commitment from the Minister, cannot lose their looked-after status unless an independent reviewing officer has decided that that is in their best interests—unless they go into custody. The amendment would give a young person in custody access to an independent reviewing officer and would mean that the independent reviewing officer was maintained throughout the process.

Most significantly, when the young person left custody the independent reviewing officer would have a role in the decision-making process as regards what was suitable accommodation for them. It is essential that we get an agreement from the Minister that relevant young people will have access to an independent reviewing officer. If a young person is to be able to change their way of life on leaving custody, it is essential that they have secure and stable accommodation. I must press the Minister to ensure that they have access to an independent reviewing officer during that process and that they will not lose the entitlement that they would otherwise have had to that officer reviewing the decision on where their accommodation should be when they come out of custody. It seems contrary in the extreme not to give those young people support in finding proper and stable accommodation.

Will the Minister give full consideration to supporting young people in custody in promoting contact between them and their families? It was exceptionally good to see that new clause 19 will give families proper support by working with disabled young people in retaining their relationships and having good, close contact. Young people in custody will frequently be the parent of the family themselves, so it is particularly important that they have contact and are able to maintain a caring relationship with their child which remains effective when they leave custody.

I hope that the Minister will clarify the position on visitors for young people in custody. We have seen laudable movements to ensure that disabled young people who are accommodated away from home will have within seven days a visitor who is a qualified social worker. Will the Minister also ensure that young people in custody receive the vital support of a qualified social worker as their visitor and that that visit is made at an early date within a specified time in regulations?

In relation to the new clause which deals with collecting information, we all know that independent accommodation and supported accommodation are essential to young people. Can we have an assurance that the general duty of a local authority to secure sufficient accommodation is applied equally to other arrangements along with foster care and residential placements? Will the Minister also ensure that national leaving-care accommodation standards are developed and introduced? The foyer movement has been very successful in doing this, as have most universities. In Lancashire, a project has been developed based around the university process for deciding whether accommodation is suitable. It is not beyond our wit to do this, and will the Minister ensure that it is done in regulations?

In support of the general aim of the new clause, I ask that the Ofsted inspection process, where relevant children and former relevant children up to the age of 21 are accommodated, will have the information that was referred to, to ensure that when inspections are carried out it is possible to see whether the local authority is fulfilling its duty—not whether it transferred a young person to something that was suitable in the first instance, but whether that young person is still in suitable accommodation. That is essential if we are to ensure that every local authority achieves the standards of the best.

4 pm

Finally, in reference to every local authority achieving the standards achieved by the best, some authorities are already providing access to an independent reviewing officer to relevant children leaving care. We all wish to see fewer children leaving care before the age of 18. We hope that the Bill will achieve that, but unless it is underpinned by access to a reviewing officer for relevant children by provisions in the Bill or in regulations that create a statutory duty and a right and entitlement for young people, we will find that young people in custody, or those who have moved into independent living where their accommodation has failed, will not get the effective support that they need. We will also find that young people who have moved back to family support or support of that nature, whose accommodation has failed or whose relationships have broken down, do not get the support they need to succeed. They must have access to an independent reviewing officer, so that they have someone speaking on their side, who has the knowledge and skills to do that, but who is part of the statutory framework, to ensure that those young people get the intervention they need to get a successful outcome.

Mrs. Humble: I would like to add my words of congratulation to my hon. Friend the Minister.

As someone who did not serve on the Public Bill Committee, I would like to explore the meaning of the new clause a little more. It is clearly welcome because it puts the focus on the needs of disabled children who are placed away from home, and on the importance of families continuing to have links with them. Reference was made to a visitor arriving within seven days. I would like to explore further the role of visitors and how they will communicate with the child and the family. Having met people who act as independent visitors in other circumstances, I found that most of them were qualified social workers. I wonder whether in this instance the individual will be a qualified social worker or will have some other form of expertise. I would like the person to have the ability to communicate with young people, who often find communication difficult. In the case of a young person with a severe disability, or other problems with communicating, it is vital that the visitor has the techniques and methods necessary to communicate so that they can listen to what the young person has to say and be a voice for that young person.

The thread of independent advocacy will run though my brief contribution. It is important that we remember that the role of the independent advocate is not the

same as that of a professional social worker, or a professional in some other realm. I am therefore interested in the way in which the role of the visitor fits into the scenario.

Will the visitor take on some of the responsibilities that I would expect of an independent advocate: acting as the voice of the child by communicating with the child; finding out whether young people are happy where they are and whether they want to raise any issues; bringing those matters to the attention of the appropriate bodies; and reporting back to the family? Or will the visitor look at the placement more from the point of view of a professional social worker, and examine whether a care plan—in some cases, a health care plan—is being properly followed? The young person and the family will need a clear idea of who the individual is and how that person fits in with other people with whom they may have been involved before the child is placed away from home.

There are too many cases of severely disabled children being placed a substantial distance from home and finding themselves unable to communicate properly with the people who care for them. They are miles away from the family, who often cannot afford to travel to visit, so the children are outside the protection of people who should be there to undertake it.

I hope that the new clause can properly reassure me and parents, and, above all, act in the best interests of the child. As framed, it seems to do that, but I would like more detail about the role of the visitor.

I have similar comments for my hon. Friend the Member for Warrington, South (Helen Southworth) about amendment No. 18. She made important points about the role of the independent reviewing officer, who has a clear statutory function, which can be essential in the scenario that she outlined, whereby young people of 16 and over need support in accommodation and to consider their education and their future. However, those young people could also benefit from an independent advocate, who is not part of the statutory system. When the Minister responds to that amendment, I hope that she will also consider the wider network that young people may need at such a difficult time in their lives.

Although accommodation may be available for those young people, how much of it is suitable? In Blackpool, we have a lot of private rented accommodation, but not all of it is suitable for vulnerable young people without the support of professionals, who can offer advice and guidance and be at the end of the phone. Again, we could consider independent advocacy alongside the role of the professional to ensure that the voice of the child is properly heard.

I want to comment briefly on new clause 26, which my hon. Friend the Member for Stafford (Mr. Kidney) tabled. He began his contribution by referring to independent advocacy. I do not doubt that he is right that statutory access to independent advocacy is more than simply a complaints procedure because the Minister's predecessor and his officials told me the same thing. However, that does not apply in practice. The extent of independent advocacy varies around the country, as does the extent to which local authorities use it.

I have had several meetings with appropriate officers in Blackpool council to discuss that very issue. Earlier this year, they tightened their rules for contracting for independent advocacy services, reducing the number of young people who had an entitlement to independent advocacy. Advocacy services of course have to be paid for, and it is important that we as legislators clarify the circumstances in which local authorities contract for such services, in order to ensure that as many young people as possible get the service that they require.

Mr. Kidney: That is why I thought it important that the Minister of State put on record in Committee the statement that she did and why I have repeated it today. I hope that it will help my hon. Friend to show those words to the officials in Blackpool and that they realise that they have to do better.

Mrs. Humble: I knew that my hon. Friend was right, but other people need to know that he is right and to hear the words of my right hon. Friend the Minister of State. I am currently in discussions with Blackpool council about producing a leaflet on the services that should be available for young people in care. I want included an explicit reference to independent advocacy, as well as guidance to young people about what that advocacy service should deliver for them.

My hon. Friend raises an important point about family and friends with his new clause 26. There cannot be a Member in the House who has not been approached by family members—especially grandparents, but sometimes also the wider family, such as siblings—who have put themselves forward to look after a brother, sister or other member of the family. We have to remember, thinking back to the Children Act 1989, which was passed by a Conservative Government, that local authorities should be looking for good enough parenting. We are not asking for people to be super-duper marvellous parents; we are looking for parenting that is good enough.

More often than not, the grandparent or other member of the family, or a friend, can provide that good enough parenting. There are, of course, examples of where they do not—sometimes the child is in care because of an entirely dysfunctional family, and that can include the wider family. However, local authorities should at least explore whether there is somebody in the immediate family network who can provide that good enough parenting and support for a young person.

I look forward to hearing my hon. Friend the Minister's comments about the amendments. The Bill is excellent as it stands and, in moving new clause 19, she has strengthened it hugely. The comments that we have heard from all parts of the Chamber were from individuals who care passionately about young people who are looked after in the care system. We want to ensure that by the time the Bill leaves this place, it is in its best possible form, to protect those vulnerable young people.

Joan Ryan (Enfield, North) (Lab): I join others in welcoming my hon. Friend the Minister to her new responsibilities. It is clear from the way in which she moved new clause 19 that she will not be lacking in commitment on these issues.

I spoke on Second Reading and want to refer back to that debate and to talk about new clause 28. The hon. Member for Mid-Dorset and North Poole (Annette Brooke) described it as a probing amendment. I listened

[Joan Ryan]

to her remarks in response to the hon. Member for Buckingham (John Bercow) and thought that they were well made.

I am sure that all hon. Members will remember a lobby by many foster carers on the day of that Second Reading debate. A number of foster carers from my constituency came to speak to me. Like me, they welcomed the Bill. I still hold that warm welcome for it and the measures within it, but it is right that we probe some of the issues.

4.15 pm

I have been impressed by the contributions from hon. Members on both sides of the House who considered the Bill in Committee. It sounds as though it was thoroughgoing consideration, with a great deal of knowledge being brought to bear, and I am sorry that I was unable to be part of it.

On Second Reading, I raised issues about the staying put pilots and young people being able to remain in their foster placement beyond the age of 17. My right hon. Friend the Minister of State was very encouraging about those concerns, finding a more flexible way forward, including the Government's commitment to enable young people to remain in their placement and not have to move on at 17. All of us, I think, have had briefings on the fact that, apparently, the average age for young people to leave home these days is 24, although there are people with 30-year-olds still at home. However, that is clearly not the case for young people in care or in foster care.

We have been provided with statistics in various helpful briefings, and they are quite shocking. For example,

"statistical returns suggest that no more than 280 young people are still living with their foster carers when they are nineteen...It is estimated that for 3,000 young people leaving care at 16 or 17, foster care is their final placement."

That cannot be a good way to help those young people to find the best way forward and fulfil their potential. I am pleased that the Government are committed to dealing with that, but I return to the issue that is raised in new clause 28.

It is important that we have good, solid statistical information that guides us in policy. I am sure that we will return to these issues in years to come if, as I understand they are, the Government are seeking in their guidance and through the pilots to extend young people's ability to remain in their foster placement until the age of 21. As I said, the average age for leaving home is 24, so inevitably these issues will have to be looked at again as time moves on and as circumstances change.

If we are talking about young people staying in education and training until they are 18 and wanting to increase the number of young people in higher education, we want to do that as much for those in foster placements and in care as we do for all others. Statistical information is important in guiding policy, but—the hon. Gentleman made this point to the hon. Lady—we need to ensure that local authorities cannot hide behind the fact that there is not such information. This is a useful probing new clause, and I am sure that the Minister has some insights that she will share with us and that will reassure us on those matters.

I want to make another point that returns and is related to the issue of placement with family and friends, which has been raised by a number of hon. Members. I notice that a briefing refers to the 2005 Farmer and Moyers report to the Department for Education and Skills entitled "Children Placed with Family and Friends: Placement Patterns and Outcomes". It tells us:

"Evidence also suggests"—

that is a worrying phrase as it suggests to me that we do not have enough evidence—

"that family and friends placements are considered by local authorities in only 57 per cent. of placements, despite the existing duty set out in Section 23(6) of the Children Act 1989".

It is worrying that a duty already exists in law but is not being followed. What can we achieve through guidance that will ensure that that duty is met? If local authorities are already flouting the law, how will we ensure that consideration is given to placing children with family and friends? That relates to the previous point, because without clear duty guidance and monitoring, some local authorities—not all by any means—will find their way around the measures, which are intended to benefit the children and young people involved, and therefore the wider community as well.

I welcome many of the Government's measures, and I look to my hon. Friend the Minister for further clarification on such points when she responds.

Siobhain McDonagh: Unlike my right hon. Friend, I am not so much impressed by the contributions from Members on the Committee as fearful about whether they will accept some comments from a complete novice in this regard.

I come to the matter after having my ears firmly bashed by Merton Mencap only last week about guidance and legislation from Government that is not fully implemented, or not implemented in the spirit intended, by local authorities. Like many hon. Members, I spent a long time as a councillor—in the London borough of Merton—before becoming an MP. London boroughs are particularly hard-pressed with regard to accommodation. My experience is that there is generally war between social services and housing about who gets access to what. Although new clause 19 rightly argues that every local authority

"shall make provision for such services as they consider appropriate to be available",

the devil is in the word "appropriate". What is appropriate to social services is often not appropriate to housing.

My experience as a local MP is that those who wish to be foster carers, who might be friends or family members of the children concerned, are often prevented from doing so because their accommodation is not large enough to take on a number of siblings together, although, as a layperson, one would imagine that that might be the most appropriate option. In my local authority, the criteria for housing register and transfer applications do not take fostering issues into account at all, but are based only on current accommodation with current family and medical needs. A person's desire to become a foster carer does not therefore raise them up the list, making it less likely that social services will consider that they might provide good foster care. In spite of the pleadings of social services to that end, most housing departments, because of the pressure on them, are unwilling to concede to further demands.

I am also struck by the significance of the word "appropriate" in relation to housing for young people who have been in care, and the suggestion that most young people leave their foster homes at 16 or 17 to go into independent accommodation. I would argue that few 16 or 17-year-olds, whether they have been in foster care and had a difficult childhood and adolescence or whether they have had the most fantastic family background, would take well to independent accommodation on their own, especially on some of the large estates in which young people are housed in London. As for the one-bedroomed flats available in my borough where such young people are likely to be housed, one would not want to see them housed there at 30 or 40, let alone at 16 or 17.

While I quite understand that most 16 or 17-year-olds would love flats of their own, that is not necessarily the "appropriate" or the right route. It is, however, the answer that local authority housing departments often come up with, because it is easier than providing more spacious accommodation to enable young people to stay with their foster carers. I should like Ministers to establish, in the guidance that will be provided if the new clauses are passed, how we can beef up the word "appropriate" and ensure that young people are not given the least attractive and least wanted accommodation.

I should also like to know how we will finance that. All the foster carers I have known have been amazed at the amount of cash that is available to young people and not available to their own children. That too motivates the desire of young people who are being fostered to seek independent or separate accommodation, against their own long-term interests. I think that, when viewing local authorities as a corporate whole, we should appreciate that the departments that make up a local authority often have very different drivers and very different problems.

Mr. Edward Timpson (Crewe and Nantwich) (Con): Having served on the Committee, I continue to welcome the thrust of the Bill. It is certainly a step in the right direction.

I want to comment on two of the new clauses, beginning with new clause 24. There is still an anomaly that is failing vulnerable children. As recently as April 2005, Mr. Justice Munby said in a ruling that local authorities' plans for looked-after children in prison were "little more than worthless". We must think about the level at which we start, and what we need to do to achieve what such children deserve.

We know from speaking to children in custody—and I know from my experience of dealing with children in the youth justice system in Cheshire—that they value the relationship that they have with a social worker, particularly the individual meetings to discuss private issues that they cannot share with anyone else. Maintaining the stability of such support is essential.

At present there are two separate organisations, the Youth Justice Board and the looked-after children's services, which are not working together in planning the future of children in care and in custody but working in parallel, and the youth justice system dominates the process. Those who speak to social workers will find that many are very confused about their role in relation to children in care and custody. We need to put that right, and to give social workers a key role in children's lives while they are in custody. They need to fit seamlessly into the process, and to work along with the youth justice system to ensure positive outcomes for children in care and custody, rather than the poor outcomes that we are currently seeing. At present, we see placement breakdowns after custody, high reoffending rates and missed education and employment opportunities, often when children are at the most critical stage of their childhood.

I urge the Minister to consider that issue carefully. The new clause gives the Government a chance to put the anomaly right, and to ensure that the children who, in many respects, are perhaps the most vulnerable in the custody system have the support that they require and deserve as looked-after children, which is what they should be. The section 20 voluntary accommodation must be put into the same category for looked-after children in custody as for all other children who are placed under section 31 care orders. The children require that, and we need to deliver.

Mr. Kidney: I do not disagree with anything that the hon. Gentleman has said, but when I went to see the Staffordshire Safeguarding Children Board, I saw a seamless service between the child protection people from the social services of the local authority and the youth offending team members. Is that his experience in Cheshire?

Mr. Timpson: There are YOT teams and children's services teams that work well together, and Staffordshire is a good example. In Cheshire, there have been improvements in that regard but they have been achieved by the efforts of those services, rather than as a result of their being required to work together. It is the duty of the Government to ensure that those services work seamlessly in the best interests of the child, rather than the two agencies trying to work together off their own bats. I take what the hon. Gentleman says at face value. That good practice needs to be spread around all local authorities and the best way to do that is through this legislation.

4.30 pm

May I speak briefly on new clause 26 about support to families and friends? Despite the improvements made through the public law outline to involve families with children who are on the edge of care, there is still the problem of children who tip over into care before the family are involved in the process. In a case in which I was involved it was not until the guardian who had been appointed during care proceedings stepped in towards the end of those proceedings to call a family group conference that it became apparent that the extended family, working as a unit, could provide the necessary level of care and support for those children, who otherwise would have been taken into long-term fostering or into an adoptive placement.

We need to ensure that social workers work with families from an earlier stage to identify where the problems are, and to ensure that members of the extended family understand the nature of the problems within the family with which the local authority is dealing. In that way, we can act earlier and prevent a last-minute effort to bring about a family solution to the problem. Therefore, I support new clause 26 and urge the Minister

to think carefully about how that will ensure that children who are on the edge of care do not tip over the edge unnecessarily.

Sarah McCarthy-Fry: We have heard a lot about this large and varied group of amendments. To respond to all the points will be quite a challenge, but I will do my best. As I said earlier, the amendments relate to three different groups of children, including those children placed in accommodation arranged under the health and education legislation. At the outset, I explained the package of measures that the Government are taking, including through amendments, to improve services for that vulnerable group. As I said, that package was developed with the Every Disabled Child Matters campaign, which has welcomed the Government's approach.

When we were discussing those amendments, the hon. Member for Mid-Dorset and North Poole (Annette Brooke) had a question about the notification of placements made by health and education bodies and how we were going to ensure that that happened properly. New guidance relating to that provision will set out the expectations on the authorities when children are placed outside their own responsible authority. The hon. Lady is right that we need to ensure that local authorities are aware of their new duties and that they happen on the ground. I look forward to working on the implementation plan because legislation is just the guidance and the start of improving practice on the ground.

Both the hon. Lady and the hon. Member for East Worthing and Shoreham (Tim Loughton) asked questions about visits by social workers. The hon. Lady asked whether the visits would be conducted by a qualified social worker with experience of working with disabled children. We want to ensure that those visitors have the right skills and experience to provide the support that children need. That is why the Bill lists a requirement that local authorities satisfy themselves that the individual who makes the visit has the necessary skills and experience. It is our policy intention that it should be qualified social workers who carry out those visits, but we accept that there may be circumstances where that is not possible, so we do not want to introduce regulations with which we know that local authorities will be unable to comply. That is an issue for guidance and I commit to consult interested parties before we finalise it. My hon. Friend the Member for Blackpool, North and Fleetwood (Mrs. Humble) also wanted the role of the visitor to be fleshed out, and I hope I can satisfy her that we will be able to do that in the guidance.

The hon. Member for East Worthing and Shoreham spoke about the availability of professionals and the shortage of social workers and asked what we were going to do about that. We have commissioned the Children's Workforce Development Council to address a number of measures that we hope will enable us to recruit social workers faster and to hold on to those we have.

On looked-after children and those living with family, friends and carers, the proposed amendments try to tackle issues of practice. I understand the concerns but I want to demonstrate that we plan to address them at a more practical level. I should also like to remind hon. Members that much of what is asked for in the amendments is already in the Bill. Amendment No. 13 relates to placement stability, which is essential if looked-after children are to thrive and achieve. It is particularly important that we minimise disruptions through the two years of key stage 4, especially if they also lead to changes of school. Most children who are looked after for more than a year stay in the same placement. However, we want to increase the proportion of children in long-term stable care placements because we know that these lead to the best outcomes. We also want to reduce further the minority of looked-after children who have more than three placements each year. Both of the measures are part of the national indicator set for local authorities.

Clause 9 sets out the key considerations in determining the most appropriate placement for the child and includes the specific requirement that the local authority must ensure, so far as is reasonably practical, in all circumstances of the case that the placement does not disrupt the child's educational training at any stage in the child's educational career. The provision goes much further than the proposed amendment as it is not limited to disruption in year 11. We are also taking powers to make regulations to require a local authority to take prescribed steps before making any decision concerning a child's placement if he or she is at key stage 4, which includes years 10 and 11. We will use the power to require a full statutory review of the child's care plan whenever any unplanned change is proposed that would have the effect of disrupting their education, including consultation with the designated teacher at those schools.

We will also make it clear in the new statutory guidance to independent reviewing officers that part of their new role will be to provide a real challenge to social workers' placement decisions, including changes of placement, to ensure that they are made in the child's best interests and that the child has been properly involved in the decision.

However, we must ensure that the target of no more than three placements in one year does not create perverse incentives. The absence of placement breakdown does not automatically mean that the child is happy and in the best placement. It may be important for some children to be moved into a short-term treatment programme as a means to enabling them to find permanence in the future. For other children, a placement move may be about a trial return home to parents while on a care order. Finally, placement changes are already required to be recorded within the child's care plan. I do not accept that the requirement for a written explanation of placement moves as proposed in the amendment will add anything to the current requirements.

Amendment No. 14 is on a similar theme, as it seeks to increase the availability of foster care placements by ensuring that children's services are working with their colleagues in housing services to develop a strategy to maximise the availability. Many hon. Members spoke about that link. A potential benefit of an authority having sufficient foster placements would be a reduced risk of needing to disrupt education or training. Local authorities need to think strategically about the need for placements in their area and how best to address any shortages. That is why we have included clause 10, which places a new general duty on local authorities to take steps to secure, so far as reasonably practical, sufficient accommodation within their area that meets the needs of the children they look after.

Let me take this opportunity to put on record the fact that the duty to secure sufficient accommodation applies

to children's homes, foster care placements and other arrangements, such as supported lodgings and semi-independent accommodation, an issue raised by my hon. Friend the Member for Mitcham and Morden (Siobhain McDongah). In order to discharge this new duty, local authorities will have to, among other things, conduct assessments of local need, both existing and potential, and establish the extent to which those needs can be met through existing placements. They must then take action to address shortages of any particular type of accommodation in their area. My hon. Friend also raised an issue about disabled facilities grants, and the child health strategy, which we will publish shortly, will recognise the importance of joint working and ensuring disabled facilities grants are seen as part of the overall resources for children, and not just in a housing department silo.

Helen Southworth: My hon. Friend made a very welcome statement about accommodation and the duty on local authorities to make other arrangements to ensure they have suitable and sufficient accommodation. Will she confirm that she will work on a national standards set for that accommodation so that local authorities can indeed ensure that other accommodation is suitable and adequate?

Sarah McCarthy-Fry: Our current consultation on guidance and regulations is in part addressing that particular issue about the suitability of accommodation and trying to set down what that means in practice.

As I have said, in order to discharge this new duty, local authorities will have to conduct assessments. We will provide statutory guidance on the steps required by local authorities that will in particular emphasise the need for children's services to work with providers and all relevant partners, especially housing and planning services to maximise available accommodation within the area.

Mrs. Humble: For some small local authorities, such as Blackpool which is a unitary authority, it can be difficult to provide the range of accommodation they need for young people. Will my hon. Friend therefore look to ensure that local authorities work with their neighbouring authorities so that if they cannot provide the accommodation directly within their boundary it will at least be provided within the neighbourhood and not 100 miles away?

Sarah McCarthy-Fry: That is something we will have to consider, and that was a problem with the amendment because not all authorities that provide children's services also have housing services under their jurisdiction. We must take it into account that there are unitary authorities who do both, but in many cases housing is provided by district authorities and children's services by the larger metropolitans.

The hon. Member for East Worthing and Shoreham suggested it might be a probing amendment, so I hope I might have said enough for him to feel able to withdraw it.

I now want to respond to new clause 26, which proposes a new support service for kinship carers and goes much further than can be justified. It would give a blank cheque to kinship carers, requiring local authorities to provide financial support to arrangements where the local authority may have had no prior involvement with the child or his family, and even if the local authority considered the placement to be unsuitable or had concerns about the carer's capacity to care for the child. Section 17 of the Children Act 1989 already places a general duty on local authorities to safeguard and promote the welfare of children in need in their area by providing a range and level of services appropriate to those children's needs. If it is consistent with their duty to safeguard and promote the child's welfare, the local authority must provide services to promote the upbringing of the child by his family. Family and friends carers must be considered for services under section 17 where the child is a child in need—in other words, their health or development is at risk—in exactly the same way that parents should be considered for services.

Clause 9 replaces section 23 of the 1989 Act with proposed new section 22C. It requires the local authority to consider placements in the following order of priority: first, the parent; secondly, the preference must be given to placement with a relative, friend or other person connected with the child who is a local authority foster parent. I can assure the House that our care planning regulations will continue the current emergency provision allowing temporary approvals pending full assessment of the relative's suitability to foster. We expect more relative carers to receive financial and other support from local authorities under section 17, where that is needed, but we must be very careful not to undermine our policies on early intervention by offering greater support to those caring for a relative's child than to parents who are struggling to care for their own child. At all costs, we must not introduce perverse incentives for parents to renege on their responsibilities to children, or for families to collude in alternative care arrangements because there is a perceived financial benefit. Family and friends carers are entitled to a range of other financial supports and benefits such as child benefit and child tax credit, both of which are unaffected by any payments made under section 17, on broadly the same terms as parents.

4.45 pm

As the hon. Member for Mid-Dorset and North Poole noted, we are already seeking through clause 24 of this Bill to amend section 17(6) of the 1989 Act, which restricts the making of financial payments to "exceptional circumstances". The amendment will give local authorities a wider discretion and enable them to provide financial support on a longer-term basis, where they are satisfied that doing so would safeguard and promote the child's welfare.

Equally, however, we are concerned to ensure that local authorities do not have perverse incentives to rely on family and friends to avoid responsibility where a child's needs are such that they should be met through the provision of care and accommodation. As hon. Members know, it is our policy that children should not cease to be looked after simply because they have been placed in the extended family. Clause 9 of the Bill addresses that issue.

However, we all agree that more must be done to increase the involvement of family and friends in caring for children who cannot live with their parents, and that one of the keys to achieving this goal is to improve the services and support for family and friends carers. That

is why we have committed to developing a new framework for family and friends carers in order to address the current lack of local policy frameworks on this most important issue, the unacceptable variations in levels of support and services between authorities, and the need for transparency and equity in relation to services and support for these carers.

The framework will be issued as part of the revised Children Act 1989 statutory guidance, under section 7 of the Local Authority Social Services Act 1970. New clause 26 is intended to ensure that local authorities consider the needs of family and friends carers as well as the needs of the children whom they care for, which of course we support. However, we do not consider that the proposed amendment is a necessary or appropriate way to drive forward improvements, for the reasons I have given.

We now come to the three amendments—amendment No. 18, and new clauses 24 and 28—that relate to care leavers. In different ways, they are all intended to ensure that these young people get the support that they need. I shall deal first with amendment No. 18, which has to do with relevant children. In future, there will be a presumption that children will continue to be looked after up to the age of 18 and that there will rarely be good reasons for a local authority to cease looking after a child before he or she turns 18. Therefore, it is Government policy that relevant children will become a residual category of children. We shall set out explicitly in the new single set of care planning regulations that a local authority cannot move a looked-after child to independent living arrangements without first conducting a statutory review of the care plan and that, where such a move take places, it does not automatically result in the child leaving care. That is an entirely separate decision that must also be reviewed.

The role of the independent reviewing officer in each case will be to challenge local decisions to ensure that the social worker has made a proper assessment and that any decision promotes the welfare of the child. The IRO, for example, will want to be satisfied that the accommodation is genuinely suitable, and we will use statutory guidance to set out our expectation that the social worker and child should visit the proposed accommodation before the decision is made.

That will stop the current poor practice in local authorities that means that a child is placed in independent living arrangements without review and/or is automatically deemed to have left care at the same time. That poor practice is a misunderstanding of the current legislative framework. Clause 9 of the Bill, regulation-making powers and the revised Children Act statutory guidance, give us a review mechanism to correct that. So, in future, there may still be a small number of cases where a review of the young person's case endorses the social worker's assessment that that young person's welfare would be promoted by the young person leaving care because he or she is ready and wants to take on the challenge of living more independently. In such cases, current legislation requires a pathway plan to be developed, following an assessment of need, and a personal adviser to be appointed to oversee the implementation of the plan before the child ceases to be looked after. The pathway plan must be reviewed at least once every six months, and more often if the personal adviser or child requests it.

While we cannot accept amendment No. 18, as the independent reviewing officer has no statutory functions in relation to relevant children, we will set out in statutory guidance that the child should be offered an independent person to oversee the review. That could be their former IRO, or it could be an opportunity for the young person to conduct the review themselves with the support of an advocate—perhaps the independent advocate mentioned by my hon. Friend the Member for Blackpool, North and Fleetwood. We will include in regulations a requirement that relevant children should be regularly visited where they are living by their personal adviser to enable identification—

Helen Southworth: My hon. Friend referred to a visit to be made to relevant children by their personal adviser. Will that person be a qualified social worker?

Sarah McCarthy-Fry: I mentioned earlier that we would consider suitability in relation to previous visits, and we will look at that issue when we consult on the guidance. I am sure that my hon. Friend will wish to contribute to that discussion.

When the personal adviser visits, they will be able to respond to any change in circumstance or need, including whether the accommodation remains appropriate. We will explore, with the help of stakeholders, how we could provide more definition of what constitutes "suitable" accommodation in the revised statutory guidance. I hope that the hon. Member for Mid-Dorset and North Poole will accept my assurances on this point and withdraw her amendment.

New clause 24 specifically focuses on care leavers who have been looked after before they enter custody. These children are a very vulnerable group and we know that they can face many serious practical difficulties re-establishing themselves in their local communities when they are released from custody. In previous debates in this House and in the other place, we have set out how we intend to ensure that those children will get the support that they need, in exactly the same way as we will ensure that those in custody who are the subject of a care order and those in custody who are "relevant children" get the support they too need.

I am aware that, notwithstanding our assurances, doubts remain about the entitlements of children who were voluntarily accommodated and who ceased to be looked-after children once they were admitted to custody. I hope that what I will say on this subject today will allay those concerns once and for all. It is important to understand that the scheme of part 3 of the Children Act 1989 is that the duties of local authorities depend largely on the nature of the services provided. So the duties to children whose needs can be met while living with their families are different to the duties that the local authority owes to children for whom it provides accommodation, thereby to a greater or lesser extent assuming the role of the parent.

The particular duties around care planning, including arrangements for contact and to address the child's health and educational needs, are all intimately related to the placement decision, and the Secretary of State's powers to regulate the local authority's decisions in these respects are all part of those placement arrangements. This reflects the practical reality that once the local

authority does not have the function of deciding where the child is to live, it has limited powers to make other arrangements for the child. Thus, in the case of a voluntarily accommodated child, the child ceases to be looked after as soon as the parents take the child home, a practical recognition of the fact that the local authority does not share parental responsibility for this group of children and that the local authority's powers to be further involved in the child's life are necessarily limited.

Once a voluntarily accommodated child goes into custody, it is the youth justice services that have statutory responsibilities to promote and safeguard the child's welfare and to make appropriate provision to meet the child's educational and health care needs while he is serving his sentence. However, we recognise that children's social care needs do not cease when they enter custody. My hon. Friend the Member for Warrington, South (Helen Southworth) mentioned family contact. I shall get back to my hon. Friend, as I seem to have lost my notes on that point, but it is our intention to try to ensure that we have the maximum family contact. Many of the points she made were extremely valid.

Our youth crime action plan sets out our commitments to promote the positive development of young people in custody, to tackle underachievement in education, to promote family links and make sure that young people are prepared for their return to the community from the very start of their sentence. To improve the education and training of children in custody we have made it clear that we intend to legislate at the earliest opportunity to make local authorities responsible for securing the provision of education for all young people in custody, regardless of their background. That will help to ensure that young people's education, so far as is practical, meets their needs and matches that of children and young people in mainstream education.

Tim Loughton: I am listening to what the hon. Lady says, but I should like more assurances to acknowledge that there are particular conditions when more intensive support provided by visiting social workers and other professionals is necessary, above and beyond what a prison or youth offender institute may be able to offer. That may involve judging the appropriateness of the youth offender institute or prison, which may not be the best place to cater for the special needs of a person coming out of care. They may have special educational needs or require various rehabilitation services. I understand what the hon. Lady is saying, but there is a specific role that the social worker and other people from the local authority could play if the status of looked-after child in care was kept while they were in custody.

Sarah McCarthy-Fry: The hon. Gentleman's point is similar to the one raised by the hon. Member for Crewe and Nantwich (Mr. Timpson), who is no longer in the Chamber. His perception was that there was not a joined-up service and that there was a breakdown between the youth justice system and children's services. We are determined to have effective co-ordination of services, with shared support, and we want to make sure that really happens. I shall come to how we shall do it a little later on.

The question we are addressing at the moment is the extent to which the local authority can contribute meaningfully while the child is serving their sentence and, more important, the best means of engaging children's social services in effective planning with the youth offending team to ensure that the child's needs are met on release, particularly where there are doubts about whether it will be possible or appropriate for the child to return to their family. I have already referred to the visiting duty in clause 16. We shall use the powers to prescribe the functions of the person making the visit, which will include assessing the child's needs and liaising with the responsible youth offending team and youth custody services. The process will ensure that the local authority is aware of the resettlement services that the child will need, and of plans to ensure that the services are in place when the child is released from custody. We will make it clear through statutory guidance that the local authority must consider in particular the child's needs for appropriate and suitable accommodation, and whether the child will need to be looked after again when they leave custody.

The approach we propose to the issues raised by the provision is proportionate and flexible. The local authority's role in visiting former looked-after children in custody will be in addition to the role of the separate YOT worker responsible for planning how the child will serve the rest of their sentence in the community. The introduction of the visiting requirement puts in place an essential safeguard, so that former looked-after children in custody are not forgotten by the authority previously responsible for their care. During the period when they are in custody, even though they are not formally looked after, the authority will have to keep them in mind, maintain a relationship with them and contribute to planning for their future.

We are firmly determined to offer former looked-after children in custody the right kind of support to remove the cliff-edge approach to planning for their accommodation and support faced by some young people on release. I give the hon. Member for East Worthing and Shoreham that assurance. I know he has already signalled his intention to push the provision to a vote, but I hope I may have—

Tim Loughton *indicated dissent.*

Sarah McCarthy-Fry: I tried.

The final amendment I shall speak to is new clause 28—I am sure Members will be relieved to know that there is light at the end of the tunnel. Many Members expressed concern about the age at which young people leave foster care. Our staying put pilots are designed to identify all the practical and financial barriers that inhibit care leavers from remaining with former foster carers, so that as far as possible care leavers have the opportunity to remain with their foster family. If, as we hope and expect, the pilots demonstrate improved outcomes for care leavers, we hope to take action in the next comprehensive spending review period, so that any care leavers who choose may have a reasonable expectation that they can remain in a family placement.

5 pm

We keep comprehensive data on all looked-after children up to age 18. We also have an established data set that is focused on the accommodation of care leavers at age 19 who had been looked-after at age 16. Those data sets are established statistical collections; local authorities

already have systems in place to collect the information. We do not currently collect any information on the accommodation of care leavers at age 20. If the amendment were accepted, it would be necessary for every local authority to establish a completely new process to collect that information, which would represent a new, uncosted burden on every local authority at a time when my Department is reviewing the number of data collections.

I understand why there is a wish to collect data on the number of young people who remain with former foster carers, and it would be possible to analyse existing data sets to establish an indication of the number of 19-year-olds benefiting from that accommodation option. I can also confirm that we will give serious consideration to amending the categories in our existing statistics collection from 2010 to highlight placement with former foster carers as a separate accommodation option for care leavers at age 19, as it would undoubtedly be useful for each local authority to have information on the accommodation provided to all their care leavers, including information on the number remaining with former foster carers. I hope that hon. Members accept the difficulties that would be caused by introducing an uncosted new burden on local authorities by requiring them to contribute to an additional national data collection.

I have covered a great deal of ground. I hope that the hon. Members who tabled the amendments feel that I have responded to their concerns and that my arguments have persuaded them not to press them to a vote.

Question put and agreed to.

Clause read a Second time, and added to the Bill.

New Clause 7

Registration scheme in England and Wales

'(1) The Children Act 2004 (c.31) is amended as follows.

(2) In section 45(1) (power to establish registration scheme in England) for "may" substitute "shall within one year of the Children and Young Persons Act 2008 being passed".

(3) In section 46(1) (power to establish registration scheme in Wales) for "may" substitute "shall within one year of the Children and Young Persons Act 2008 being passed".

(4) Omit section 47 (expiry of powers in sections 45 and 46).'.—*[Tim Loughton.]*

Brought up, and read the First time.

Tim Loughton: I beg to move, That the clause be read a Second time.

Madam Deputy Speaker (Sylvia Heal): With this it will be convenient to discuss the following: New clause 13—*Registration of foster carers with the General Social Care Council—*

'In section 55(2) of the Care Standards Act 2000 (c. 14) after subsection (2)(d) insert "or

(e) is a foster parent"'.

New clause 23—*Foster charters—*

'Local authorities must publish a charter for foster carers—

(1) to establish the authority's responsibilities with regard to the foster carers within its authority;

(2) to have special regard to the needs of kinship carers.'.

Tim Loughton: The last group took only just over three hours; let us see whether we can do a bit better on this group. We have also been through three Deputy Speakers. I am sure that you will be more resilient, Madam Deputy Speaker.

New clause 7 brings a severe sense of déjà vu. I am sure that all hon. Members who have been involved in the Committee on the Bill, and in previous Committees dealing with children's affairs, will agree. We debated in Committee the measure to promote a scheme for the registration of private foster carers. We tabled amendments that would have struck out what was then clause 15, which extended the time limit in section 47 of the Children Act 2004, which would have brought in a private fostering registration scheme four years after that Act came into force—in November this year, I believe. Through the Bill, the Government are extending by a further three years the sunset clause that accompanied the enabling provision. As a result, we may not see a scheme for the registration of private foster carers introduced until 2011—seven years after the coming into force of the 2004 Act.

New clause 7 would amend sections 45 to 47 of the Children Act 2004 to allow a scheme for the registration of private foster carers to be brought in forthwith, so that we do not have to wait yet more years for the Government to enable it to be introduced. Many Members from Opposition parties, including me—and indeed some Government Members—are genuinely confused by the Government's continued dithering over bringing in a scheme that has been called for by many organisations and professionals involved with child protection issues.

I should like to echo comments that I made in Committee, and the countless speeches that various hon. Members, some present today, have made over the past few years on the need for a private fostering registration scheme. I refer the House to the 1997 Utting report "People Like Us", which recommended a private fostering registration scheme. I refer hon. Members to the work of the UK Joint Working Party on Foster Care in 1999, which revealed the high potential for abuse and neglect and urged regulation of private fostering in a public awareness campaign. I refer hon. Members to the Laming report that was produced in the wake of the Victoria Climbié tragedy; it recommended a review of the private fostering system. I refer hon. Members to my own modest ten-minute Bill, introduced on 19 March 2003, which contained three provisions, one of which would have instituted a private fostering registration scheme.

There were also cross-party attempts to bring in the scheme straight away under what was then the Children Bill in 2004. The proposal was supported—and voted for, no less—by the then Labour Member for Lancaster and Wyre, Hilton Dawson, who was well versed in the issues. It is therefore inexplicable to many of us why the Government have avoided supporting a measure on which there is broad consensus; people involved in children's issues, adoption and fostering have for some time said that it is highly necessary. We are confounded as to why the Government have still not gone through with it.

In the years during which we have called for such a scheme, there has been extensive regulation of child minding—that registration scheme has enjoyed a degree of success—and all sorts of standards for the inspection of care homes and fostering agencies have been introduced. There are numerous new adoption rights and requirements, and hundreds of thousands of people who deal with

young people have become subject to Criminal Records Bureau checks, including me. We have even considered legislation to clamp down on puppy farming, but still we have not introduced a registration scheme for private fostering.

We are talking about potentially vulnerable children, and people who are unknown to local social services departments. There can be no guarantee of equality of care, and no guarantee that people are accessing appropriate training, support and benefits. There is no control over the number of placements that a child will experience. That all has ramifications for the safety, welfare and well-being of children in private fostering arrangements. We have no accurate measure of the extent of such arrangements, although some years ago it was estimated that there are in excess of 10,000 private foster care arrangements in this country. They disproportionately involve children coming from west Africa, particularly Nigeria, Sierra Leone and the Ivory Coast, which is where Victoria Climbié came from, although she came via France.

I am sure that a large majority of private foster carers do a good job and pose no threat to their charges, but we simply do not know. We have no idea of the extent of the problem, because the Department of Heath stopped collecting data back in 1991, as the figures were so inaccurate. Since 1991, regulations have brought in local registers of foster carers, but there is no real legal penalty for not registering, and many people are ignorant of the requirements.

As I say, the Government introduced legislation that would enable a private fostering registration scheme to be set up. It was to come into force after a certain period unless a good reason why it should not be introduced was found; hence the sunset clause. The Government intend to extend the sunset clause by means of the Bill, but what has changed since the Children Act 2004 that requires the terms of the sunset clause to be extended yet further? What have the Government found out since then that has convinced them to extend the sunset clause, which prevents the coming into force of a private fostering registration scheme, and what do we need to know to clear that hurdle and trigger the coming into force of the scheme?

In one of his weaker moments, the hon. Member for Cardiff, West (Kevin Brennan), formerly the Parliamentary Under-Secretary of State, Department for Children, Schools and Families, came up with some very unconvincing reasons why the Government needed to do yet more research. I do not think that his heart was in it when he opposed the measure. There are still no specifics about what research would be required before the Government could make a definitive decision to go ahead with such a scheme.

We believe that the sunset clause was a sop; the fact that the Government now seek to extend it without good reason goes to prove that. It is a sop to mention the issue without having any real inclination to do anything about it. That is what I charged the Minister who had responsibility for children in 2004 with, and nothing has happened to negate that charge. In 2004, in saying that she wanted to beef up the notification scheme, the right hon. Member for Barking (Margaret Hodge), who was then the Minister with responsibility for children, admitted:

"I think that the notification scheme is not working well."

We all agreed with that. But she went on to say, in support of the sunset clause:

"The clause is in the Bill because we want to strengthen the scheme and give it one last chance to work."—[*Official Report, Standing Committee B*, 21 October 2004; c. 285-88.]

That was the "last chance"—in 2004. Now, apparently, there is to be another last chance. The Government must make their case properly and justify why the sunset is proving to be very long indeed. Will we ever see the dawn of a private fostering registration scheme, which so many of us have wanted for so many years? I am at a loss to see how the notification scheme can have been deemed a success.

At the end of March last year, the last year for which we have figures, roughly 1,250 children were reported as having been cared for and accommodated in private fostering arrangements in England, and 1,010 such arrangements ended during the previous year. That is well short of the 10,000 or so private fostering arrangements that are estimated to exist, and we still do not know who is involved in the arrangements.

Another reason for beefing up the provision in 2004 was to publicise the existence of notification schemes and the legal requirement to register with them. Back in 2005, *The Voice* carried out a survey that particularly focused on black private fostering arrangements in London, in respect of which there have been problems, of which the Victoria Climbié case was just one example. That survey found that 35 per cent. of the respondents—only a third—knew about private fostering. Some 21 per cent. of the respondents were from Africa, and although 31 per cent. of those said that they knew about private fostering, only half knew what it actually meant. Some 35 per cent. of respondents said that they knew about private fostering, but when they were probed further it was found that only 15 per cent. knew what it was about. There was a pretty low recognition level, particularly among that key target client group.

Part of the raison d'être behind the changes made by the Minister in charge of the Children Bill in 2004 was to promote better awareness. Local authorities were charged with making potential or existing private fosterers in their areas aware of the requirements to register under the scheme. However, in January this year—four years on—the British Association for Adoption and Fostering, or BAAF, carried out a further survey of Londoners and came up with an even worse result, which showed that few professionals working with children understand what private fostering is. In a YouGov survey that used an even bigger sample than the original one, adults living in London were asked what they thought a child being privately fostered meant. They were offered a series of possible answers. Only 18 per cent. picked the correct definition.

Furthermore, only 16 per cent. knew that when making private fostering arrangements, the parent and carer must notify the local authority of the area where the child will live, and that failure to do so is an offence. Two hundred professionals—professionals, not just parents—who come into regular contact with children were surveyed, including teachers, teaching assistants, doctors and nurses. What is really worrying is that only 18 per cent. of those professionals knew the correct definition of private fostering, despite the fact that such professionals obviously play a vital role in identifying privately fostered children.

Miss Kirkbride: My hon. Friend has given the most astonishing figures; the mind boggles about what the other 82 per cent. of the professionals or public thought private fostering was. Does he have the questions that were asked, so that the House can understand what people might have thought?

Tim Loughton: I do not have them to hand, although I have the report, which I shall be happy to pass on to my hon. Friend. But the figures speak for themselves. The fact is that professionals gave that response, and it is terribly alarming to think about what on earth they thought private fostering was.

It would appear from that evidence that the publicity information on the existing notification process has been an abysmal failure. How much money was spent on it, and what results do the Government think have been gained? The surveying of key target audiences has shown that if it has had any impact, it has been a negative impact.

5.15 pm

The time has surely come for a proper formal registration scheme for private fostering arrangements. I do not claim that it would be a universal panacea. It would not be easy to police and it would not be foolproof. I certainly do not want to play the nanny state card by having the state interfere with children who legitimately attend boarding schools or language schools or children on holiday exchanges, who have often been cited as a potential problem as regards such legislation. The point is that we need a private fostering registration scheme, which the un-sunsetted new clause would provide. That national register of private foster carers would be available to birth parents who wish to pursue a private fostering arrangement, and it would enable local authorities to ensure that standards of care were suitable and appropriate and that suitable and appropriate help and support was offered. Such a scheme could also deter private foster carers who had fallen foul of local authorities or authorised foster agency inspections but had not committed offences sufficiently serious for them to be put on the Department for Children, Schools and Families watch list.

The Government have not made the case for why the scheme should not now come into force. In our deliberations on the Children Bill in 2004, the then Minister with responsibility for children said:

"we will...require the local safeguarding boards to have regard to how well or otherwise private fostering arrangements are being implemented."

I would like to hear whether the findings of those local safeguarding boards have coloured the Government's thinking in not going ahead with the scheme. The Minister continued:

"the notification scheme has not worked—there has not been compliance with the regulatory framework...if this final attempt to get the notification scheme to work is not successful, we would have to examine an alternative, despite the many concerns that we have about the alternatives."

She described the positive disincentive of the scheme as it then stood, and finally said:

"if we fail in our endeavours to make the notification scheme work, we will not need to return to the House with primary legislation and we will implement the registration scheme, despite our concerns about whether it will work as well as everyone would like it to."—[*Official Report, Standing Committee B*, 21 October 2004; c. 289-291.]

Those words were pretty categorical. It was clear four years ago that unless there was overwhelming evidence to show that the notification scheme was working, this section of the Children Act 2004 would come into force. Why, therefore, are the Government seeking to extend the sunset clause yet again? When is a sunset not a sunset? How many more chances will they give it to show that the notification scheme works—or that, as we think, it does not work—before we have the private fostering registration scheme for which a wide cross-section of people have been calling for many years? On that basis, I am keen to commend new clause 7, which is long overdue.

New clause 23 proposes foster carers charters. We are all acutely aware of the shortage of foster carers, particularly those with specialisms. All the evidence shows great variety and contrasts in the experiences of foster carers and their relationships with local authorities, so we need to have a level playing field. Foster carers often say that they lack support from their local authority when they need it. Children with complex needs may be placed with them, but the necessary accompanying package of support—specialist professionals, speech and language therapy, children and adolescent mental health services, or whatever it may be—is not forthcoming, and they have limited access to specialist services.

The foster carers charter is all about a fair deal for foster carers. The purpose of the new clause is to ensure that local authorities do the right thing by foster carers and their authority, that the means by which local authorities will support kinship carers are set down in writing, that variations in regional practice are made more transparent, that local authorities are made more accountable to foster carers, and that prospective foster carers are given a better sense of what to expect. That proposal was put forward in the Centre for Social Justice report "Couldn't Care Less", which reveals a wide variation in conditions for foster carers across the country. Too many foster carers are unsure of their status, entitlements and responsibilities.

We believe that local authorities should devise and publish a simple fostering charter to which they sign up, and which should specify the basic support that all fostering kinship carers should receive. It should provide a kitemark that would allow foster carers to know whether they were receiving the help to which they were entitled, and it would hold local authorities to account.

Angela Watkinson: Does my hon. Friend agree that prospective foster carers should also be provided with full information about a prospective foster child—their history, their health and any other problems that they have—particularly if they have profound behavioural problems, so that the foster parents can make a judgment as to whether they can cope with that situation?

Tim Loughton: My hon. Friend is absolutely right. In Committee we discussed the appropriateness of certain placements, particularly in the case of children with complex needs, where it is absolutely essential to maintain the stability of a placement so that it has a good chance of succeeding. For the placement to stand any chance of getting off the ground, there should be a full transparent declaration of a child's needs. That is what the charter is all about: ensuring that foster carers can expect to receive all the relevant information that they need. It

would ensure that local authorities provided that information. It would also include references to items such as a living wage, respect for foster carer opinions and support from education, social care and mental health professionals. In return, foster carers would be clearly shown what was expected of them, such as their training obligations.

I believe that our proposal would help to reverse the postcode lottery in the treatment of foster carers, and it would encourage a better quality of relationship between foster carers and local councils, thus improving recruitment and retention. This is not something we are trying to impose nationally, from the centre—it will be up to local authorities to decide on what their charters would contain for their local foster carers' needs. It is a fair deal for foster carers, who do an excellent and very important job in this country. We need to make their job easier and give them far more support. They need to know what support they can expect, and we hope that by doing that, we might attract more foster carers.

Mr. Timpson: Does my hon. Friend agree that the provision of this charter to each local authority will help to improve the accountability of social workers to foster carers at a time when many such carers are caring for foster children while social workers are not meeting their duty to make statutory visits on a regular basis? The charter will help shore up the response to that problem.

Tim Loughton: My hon. Friend is absolutely right, and I defer to his much greater personal and professional knowledge of how the system is working—or not working—throughout the country. He is right that too often, because of pressures of work and systemic problems, particularly relating to the social workers' work load, too many excuses are made about why social workers are not fulfilling their expected duties. If what is expected of them is set down, there is a better chance of holding an authority to account to ensure that it has the number, variety and diversity of social workers to do the job that it has to do properly. That is all part of the process.

We are proposing two important new clauses. Not for the first time, new clause 7 has proved its worth, and there is no excuse for further prevarication and delay on the subject of why such a scheme should not come into force now. New clause 23 represents an important way of sending a signal to foster carers that they are valued, and that they should know what to expect as part of the deal for taking on an enormous duty of care for which we owe them enormous gratitude.

Annette Brooke: I would like to address new clause 7, to which I have signed up. Like the hon. Member for East Worthing and Shoreham (Tim Loughton), I feel very strongly about it.

Privately fostered children who are unknown to the authorities must be a cause for concern, given that so many reports confirm that the total will include some very vulnerable children. Authorities have no knowledge of the physical and emotional support systems available to those children—or, indeed, whether such systems are available to them.

The report that the then Prime Minister commissioned in 1997, which Sir William Utting undertook, referred to private fostering as a potential honey pot for abusers. I proposed a compulsory registration scheme for private fosterers in the Committee that considered the Children Act 2004. As the hon. Member for East Worthing and Shoreham said, the then children's Minister, the right hon. Member for Barking (Margaret Hodge), stated:

> "The clause is in the Bill because we want to strengthen the scheme and give it one last chance to work... Secondly, we will require local authorities to monitor the operation of the scheme far more closely, and to provide information for us on how many registrations they achieve each year."—[*Official Report, Standing Committee B*, 21 October 2004; c. 288-89.]

Obviously, we have no idea how many children are privately fostered. For many years, the figure of 10,000 children has been suggested. However, the latest figures show that, at 31 March 2008, 1,330 children were known to live under private fostering arrangements. In previous years, the figures were: 1,250 in 2007, 980 in 2006 and 730 in 2005. Clearly, there is a staggering gap between the number of children estimated to be living under private fostering arrangements and those accounted for. That demonstrates that foster parents are simply not coming forward and alerting authorities to their presence. The Children Act 2004 gave the notification scheme three years to work and clearly stated that compulsory registration would be introduced if it did not. The figures plainly demonstrate that the notification scheme is not working.

Closer examination of the figures shows great regional variations. Although we are considering relatively low numbers, Yorkshire and Humberside recorded a 50 per cent. increase in new notifications per year between 2005 and 2008, whereas London recorded a 327 per cent. increase.

I feel that it is worth mentioning again the tragic case of Victoria Climbié. Although some would argue that a private fostering arrangement did not exist in her case, her situation could well have been such an arrangement. Parts of the inquiry following her death serve as a very real warning of the dangers of children being missed by the authorities. Paragraph 1.27 is especially pertinent. It states:

> "the single most important change in the future must be the drawing of a clear line of accountability, from top to bottom, without doubt or ambiguity about who is responsible at every level for the well-being of vulnerable children."

How can we have accountability if we do not know which children are privately fostered?

It is also worth considering that, in addition to the huge benefits to the child, compulsory registration would be incredibly helpful to foster parents. The security to parents of gaining confirmation of their role and status and being part of a network would be extremely beneficial.

To revert to the statistics that I cited earlier, there are clearly variations in practice across the country. Should the Minister decide to resist the new clause—I sincerely hope that she will not—will she give details of the robust plan and actions that she will take to ensure that best practice is shared and that all local authorities have the matter high on their agenda? How will she ensure that notification works? Delay in the matter is a sign of failure and perhaps even negligence.

New clause 13 relates to the registration of foster carers. Registration would ensure that foster carers were accorded the status and standing that their role demands, and improve the respect and treatment that they receive from other professionals with whom they work. It would also allow for the introduction of a national code of

[Annette Brooke]

conduct, for expectations about continuing professional development to be raised, for ensuring that safeguarding children remains paramount, and for increased portability of approval for foster carers who move to a new part of the country.

Currently, foster carers must be approved by a fostering service provider before a child is placed with them. Foster carers can be approved by only one fostering service provider and only that provider can place a child with them post-approval. With the proposed registration of residential social care workers, it is becoming increasingly anomalous that foster carers, who have far greater unsupervised contact with vulnerable children, should remain unregistered.

5.30 pm

There are difficulties with the current system. When a person applies to be a foster carer, there is no system in place to identify whether someone has been previously approved or had their approval terminated, unless the individual chooses to make that disclosure. Also, foster carers are approved by the individual local authority. If they move to another part of the country or wish to change the fostering service that they work for, they must go through the whole approval process again. There are neither nationally agreed expectations about foster carers' continuing professional development nor any formal recognition that places them at the heart of the team surrounding the child in care.

It is so important to continue working towards the professionalisation of foster carers. Our proposal would be a step in the right direction. The code of practice would be of enormous value, as it would strengthen and clarify what children and young people can expect from their foster carer. The point is to confirm the status and expectations of foster carers, to safeguard children in care and to reassure the general public. Those objectives have been met for others in the social care work force, so when will we achieve parity for foster carers?

Interestingly, new clause 23 touches on some of the same issues, but proposes a more informal approach. It contains some interesting ideas; indeed, I would be rather surprised if something similar were not operating in the best local authorities. I am therefore not convinced that there is a need to legislate at this stage; rather, perhaps new clause 23 sets out some good practice that should be encouraged.

Barry Gardiner (Brent, North) (Lab): No vice can be worse than the sustained and deliberate abuse of a child by an adult who has promised to protect and care for them. Therefore, no Member of Parliament who represents the people of Brent could rise in the House to speak about fostering without the heavy memory of the case of Victoria Climbié, who was once resident in Brent and was murdered by her foster parents.

Clear leadership and guidance was given by Lord Laming in his 2003 report on that murder. The Government have introduced measures to amend the arrangements under the 1989 Act for local authorities to safeguard and protect the welfare of privately fostered children.

I listened with great care to the hon. Member for East Worthing and Shoreham (Tim Loughton), who explained that section 45 of the 2004 Act, while allowing the Secretary of State to make regulations to establish a registration scheme for all private foster carers, is in jeopardy of going into the sunset, as he put it, and not being implemented. That is what I take to be the import of new clause 7, which he has moved. It is on those issues that I wish to speak and probe.

Victoria Climbié came to this country as a young girl, as do many children who come to my constituency. In Wembley, we have a clear pattern of immigration of young children, who come to stay with aunties, uncles or members of their extended family. Often they come on a six-month visitor visa to live with relatives. Those young children will often start school over that six-month period, yet without any assessment being made of their legality or status. My right hon. Friend the Minister for Children, Young People and Families knows only too well from her experience at the Home Office how many of those children end up becoming overstayers and, as such, children of no status within the community. They are extremely vulnerable children who, if they had ever had a passport holding the visa that expired, would have had it taken away by the foster parent—the carer, supposedly.

I have dealt with many cases involving people who overstayed for many years, but who first came to my surgery as children and who had on many occasions been subjected to abuse. For that reason, I welcome the provision in clause 7 that puts a duty on the Border and Immigration Agency to safeguard and promote the welfare of children. To some extent, that will go a long way to addressing the problems that I have outlined and which the hon. Members for East Worthing and Shoreham and for Mid-Dorset and North Poole (Annette Brooke) talked about.

I want simply to ask questions. I listened with great care and with some sympathy to those two hon. Members speak of the need for clear lines of accountability and clarity on the issue. I ask my right hon. Friend the Minister whether agreeing to the new clause would mean having to engage in a process of drafting and consultation on regulations that itself might exceed the time limit specified in that new clause. How long is necessary to gather and analyse the evidence and to make a sound decision about the future? Will she outline what proposals the Government have to do that and to take on board the clear concern that there should be clarity for children who find themselves in such a situation?

I want briefly to discuss new clause 23. The hon. Member for East Worthing and Shoreham talked about a fair deal for foster carers. I hope he will acknowledge the considerable progress that the Government have made in establishing precisely such a fair deal. Virtually every hon. Member who has spoken in the House today referred to the enormous debt of gratitude that we as a society owe to people who open their lives to children—often very vulnerable children—and care for them. I wish to add my thanks to all those carers and foster carers in my constituency who perform that incredible service and work.

I hope that the hon. Gentleman will acknowledge that in the legislation that they have passed and the proposals that they have made the Government have taken extraordinarily seriously the issue of foster carers and the sense of responsibility that we owe to them for the work that they do. The White Paper "Care Matters"

emphasised the importance of providing carers with the necessary development, support and training to equip them with the skills that they require to deal with children who often have extremely complex needs.

"Care Matters" sets out a number of proposals to improve the recruitment and retention of foster carers and the quality and stability of placements. To support carers to develop effective relationships with the children in their care, the Government have committed themselves to funding a national roll-out of Fostering Changes, a positive parenting programme that aims to develop carers' capacity to manage and cope with the often extremely challenging behaviour of children under their care. At least one London local authority has already adopted the Fostering Changes programme.

More generally, a number of significant improvements for foster carers have already been made. In April last year, the Government introduced a national minimum allowance intended to set a benchmark for minimum payment rates for all foster carers, so that no one should be out of pocket as a result of that caring role. That was accompanied by good practice guidance to help providers to improve the way that they organise their payment systems for foster carers. In May last year, the Government funded the Children's Workforce Development Council to launch the foster care training, support and development standards, giving fostering providers a framework for their carers' training and professional development.

In all those areas, I hope that the hon. Member for East Worthing and Shoreham will accept that the Government have gone very far and quite fast in achieving the support and clarity for carers that he calls for in new clause 23.

Emily Thornberry (Islington, South and Finsbury) (Lab): Having been elected for about three and a half years, I have realised how important it is to have a constituency, and how much a constituency educates us. I have spent the past three and a half years trying to get to grips with and understand my constituency, and have learned a huge amount. It has been an important part of my political education—it is a little like taking off the layers of an onion. One of the important things is to apply social policy to the practical experiences of constituents. Speaking to foster carers and those in our constituencies who support and train them enables us to appreciate the difference between real help and initiatives that look good on paper but are, in fact, so much red tape.

I commend a new initiative called Fostering Changes, which has been promoted by the Government. It began at Southwark and has been developed in Islington in my constituency. It is about giving real support to foster parents, as opposed to being a charter for foster carers simply to put on their wall. Fostering Changes gives a great deal of assistance to foster parents. My constituency is an inner-city one with high levels of deprivation. If there were a top 10 in terms of the number of people who are drug addicts, have mental health problems and are struggling to bring up children on their own, unfortunately we would be in it. My borough is also No. 3 in the country in terms of the highest number of children in care per head.

However, before Conservative Members get excited and start bouncing up and down talking about a broken society, let me say that we are not a broken society. Many people in my constituency will open up their hearts and homes and give such young people somewhere to live where they can be loved. Such kids are often difficult, angry and mixed up, but 75 per cent. of Islington's children who live in care are in families where they are supported. There has been a training course available to help fosterers deal with allegations, to assist them in giving first aid, to train them in drug and alcohol issues, and to promote children's ID.

Fostering Changes, however, was developed by the borough of Southwark and the Maudsley, on the Webster-Stratton model. People from the Maudsley have come to Islington to train up our trainers, and they are now able to do the courses. We are about to start the fifth course. We hope that by the end of this year all our carers will have been trained. The course lasts 10 weeks, and one day a week is spent talking about how to deal with the difficult behaviour of the children being looked after.

5.45 pm

That course is primarily intended for those who are looking after children aged between three and 11, but there have been courses for teenagers as well. It is not magic, but it really helps with building a relationship between the furious little bundle who has had such an enormously difficult life and has ended up in someone's home, and the adult who is there to love it and give it security but who is, ultimately, a stranger and not its mum. The purpose of the course is to build that relationship so that carers can deal with the furious bundle, but also manage access to the original family—who may, in fact, represent some of the causes of many of the difficulties involved—and the relationship with the rest of the family.

I am very grateful to Norma Barnes and Mary Day, who have spent time explaining exactly what the course is about. Essentially, it is about positive reinforcement. During the day of the course, the carer talks about the difficulties that he or she is experiencing with the child, and is set homework for the rest of the week on how to deal with those difficulties: how to ignore bad behaviour and positively reinforce good behaviour, and how to give 30 minutes a day to a child. The carer should simply give the child attention—not direct the child and not ask questions, but do what the child wants. The difference that that makes to a severely abused child who has come from a difficult background into a home where there is an adult who simply wants to be with that child reinforces the child's identity and confidence and helps to address bad behaviour in, I am told, a fantastic way. Along with other forms of discipline—time out, consequences, and the other more negative side of controlling a child—it can work really well. As I have said, it is not magic, but it helps to develop relationships.

That Government initiative was launched in Islington, but the good news for hon. Members is that it will be coming their way soon. It is being sent around the rest of the country, and I hope that foster parents will benefit from the practical and real help that it provides.

The Minister for Children, Young People and Families (Beverley Hughes): I am particularly grateful to my hon. Friends the Members for Brent, North (Barry Gardiner) and for Islington, South and Finsbury (Emily Thornberry)

[Beverley Hughes]

for their knowledgeable descriptions of a number of the efforts we have made to support foster carers in ways that make a real difference to them as, in my view, a charter and registration process would not. As my hon. Friend the Member for Islington, South and Finsbury said, the Fostering Changes programme is spoken of very enthusiastically and warmly by foster carers who have benefited from it.

In the relatively short time left to me I want to focus on new clause 7, which deals with something that concerns Members throughout the House—the issue of privately fostered children. We all know that some such children—but by no means all: that is an important point—are a potentially vulnerable group. I share the anxiety of Members throughout the House to ensure that the arrangements for safeguarding them are as robust and effective as possible, and to do so as speedily as possible.

New clause 7 proposes that within a year of the Bill's being passed, the Secretary of State would have to make regulations in relation to England to establish a registration scheme for private foster carers, and Welsh Ministers would have to do likewise for Wales. I recognise that there have been calls for a registration scheme for some time, and that in 2004 we said that we thought we could decide the matter within four years, but let me say to the hon. Member for East Worthing and Shoreham (Tim Loughton) that, keen as I am to move forward, it is clear to me that that time scale was too optimistic. Having examined the issue in some detail, I should add that it is equally clear to me that it would be unwise and foolhardy, if not impossible, to introduce a registration scheme within a year. I think that in the question he asked me on the subject, my hon. Friend the Member for Brent, North reached the right conclusion: that it simply would not be possible.

I accept that local authorities could have been swifter and more diligent in developing the notification scheme and raising levels of awareness, as required by the duty in the 2004 Act. I also accept, however, that we are asking them to do something extraordinarily difficult, which means building relationships with, in some cases, the most separated minority communities. That applies particularly to the children about whom we are most concerned.

I would not accept that we are dithering or dragging our feet. I gently remind the hon. Member for East Worthing and Shoreham of the longer time scale. The Conservative party put in the Children Act 1989 a duty on local authorities to satisfy themselves of the welfare of privately fostered children, and then for eight years did nothing to satisfy themselves that local authorities were undertaking that duty.

Mr. Timpson: The Minister will recall that in Committee the former Under-Secretary of State for Children, Schools and Families said during the debate on that issue that the principle of the scheme had not been abandoned by the Government. May I ask the Minister to go further today and to say that in principle the scheme is one that the Government believe in and that it is simply the logistics, the mechanisms and the gathering of evidence that are holding us back?

Beverley Hughes: I am not sure whether the hon. Gentleman, when he mentions the scheme, is talking about a notification scheme or a registration scheme. We have not abandoned the possibility of the necessity for a registration scheme, but because a year is not enough to test the notification scheme or to put a registration scheme in place, we have made provision in the Bill to extend the period for evaluation and assessment further before we make a decision on a registration scheme and abandon notification completely.

The registration scheme itself is not a panacea.

Tim Loughton: I said that.

Beverley Hughes: The hon. Gentleman says that he knows that, but I will explain why. Exactly the same challenges that are facing us now in making a notification scheme work will apply in relation to a registration scheme. Those children who we are most worried about who are not currently being notified to the local authority and who are in a privately fostered arrangement will not necessarily be registered with the local authority. The local authority would be faced with the same challenges of raising levels of awareness, building relationships with minority communities and making sure that everyone registers who should. It is not a panacea for that precise reason.

The hon. Member for Mid-Dorset and North Poole (Annette Brooke) challenged us to say what we are going to do in the meantime. There are three things that we need to do. First, we need sufficient evidence before we make a decision and proceed. That is simply not available in the time scale, not because we have been tardy, but because it was never going to be available in the time scale. We have two full years of data on the notification scheme for 2006-07 and 2007-08. We have yet to get the third year that we always said we needed. Inspection data are also important. We set in place a three-year inspection programme started by the Commission for Social Care Inspection and continued by the Office for Standards in Education. The third report will not be completed until November 2009. The Welsh care and social services inspectorate is also undertaking a national review that will not be published until 2009.

Secondly, while we get that evidence, we need to ensure that we can push to the wire to see whether we can make the existing notification scheme as effective as possible. In that regard, we have already done a number of things. When my hon. Friend the Member for Cardiff, West (Kevin Brennan) was the Under-Secretary of State, he wrote to all directors of children's services asking them to do all they could to raise awareness of the scheme and to maximise notifications. Similar efforts have been made in Wales. *[Interruption.]* He wrote last month to all directors. Government offices will be working closely with local authorities in those areas where notifications are low, identifying them and targeting them. We are developing a national communications strategy to raise awareness of the current requirements within the children's work force and we have provided £50,000 to the British Association for Adoption and Fostering to sponsor a national private fostering awareness week in January. The Welsh Assembly Government are also providing support to BAAF in Wales to do a similar thing. Those measures together will help us to test the current system and give it its best chance of success.

Thirdly, and most importantly, we are giving very careful consideration to the best long-term solution during this period. This is not a clear-cut issue. We need to understand much better what added value, if any, a registration scheme would bring and how it would work, recognising not only the potential impact on local authorities, but—the hon. Gentleman touched on this but did not elaborate—the potential disadvantages for many ordinary families making normal and straightforward arrangements that we would not want to bring into the purview of a registration scheme, and the penalties that would flow from not registering such an arrangement.

It is not clear that registration would be any more successful in encouraging registration from those who do not currently notify and it might even deter some people from registering their private arrangements. We want to work with an independent expert group that will advise me over the next couple of years on these important matters. The first meeting of the group was held on 29 September and I am looking forward to announcing shortly, I hope, the appointment of a very senior, independent chair of the group, who I know will have the confidence of all Members. The group's role will be to advise the Department on raising awareness of the strengthened notification scheme, on assessing the evidence of impact, on options for further strengthening the notification scheme and on developing models for a registration scheme in advance, if that is the decision made.

The group consists of representatives of the Association of Directors of Children's Services, Ofsted, the British Association of Adoption and Fostering, the NSPCC and the Home Office. We will invite others from Wales to join us. The group will be meeting regularly and will present its final report to Ministers in March 2010 when we will make a decision. I will publish the conclusions of the group and will make a statement to the House. I have not abandoned the idea of a registration scheme, but I make no apologies for wanting to get this right. It is therefore important to retain the option of introducing a registration scheme for a further three years, so if the case is compelling, it can be introduced at the right time.

Significantly, the British Association for Adoption and Fostering agrees that we should seek first to improve the current arrangements and evaluate them more fully before deciding whether to introduce a registration regime. BAAF shares our reservations about the introduction of a registration scheme at this point. That has weighed heavily with me in deciding whether to include the provision in the Bill for extending the period to three years. I will not accept the amendment, which would not give us a well worked out registration scheme. That would be very dangerous.

New clause 23 would require local authorities to publish a charter setting out the authorities' responsibilities with regard to foster carers within their area. There are some technical reasons why this would be both difficult and confusing. One is that foster carers enter into a foster care agreement with their provider, but in addition they enter into a foster placement agreement with the local authority placing the child. For instance, where a provider is not a local authority, the proposal would be extremely confusing. The kind of measures that we have introduced are much more important in assisting foster carers. Similarly for a registration process, foster carers are selected, recruited and trained locally and, of course, a national registration scheme would impose on them all of the conditions that a registration scheme now imposes on social workers. I am afraid that I cannot accept those amendments, either.

Tim Loughton: Well, we have had 13 minutes of a complete and utter cop-out, and I now have less than one minute to say why it was a cop-out.

Four years is apparently not enough. It has been 19 years since the Children Act was mooted in 1989. It has been 11 years since the Utting report in—

It being Six o'clock, MADAM DEPUTY SPEAKER *put forthwith the Question already proposed from the Chair, pursuant to Order [16 June].*

Question put, That the clause be read a Second time:—

The House divided: Ayes 202, Noes 289.

Division No. 272] **[6 pm**

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Sir Alan
Bellingham, Mr. Henry
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Boswell, Mr. Tim
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Butterfill, Sir John
Cable, Dr. Vincent
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, rh Mr. Nick
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Mr. Dai
Davies, Philip
Dodds, Mr. Nigel
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Fraser, Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Horam, Mr. John
Horwood, Martin
Howarth, David
Howell, John
Huhne, Chris
Hunt, Mr. Jeremy

Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Key, Robert
Kirkbride, Miss Julie
Kramer, Susan
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Liddell-Grainger, Mr. Ian
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Milton, Anne
Mitchell, Mr. Andrew
Newmark, Mr. Brooks
Osborne, Mr. George
Paice, Mr. James
Paisley, rh Rev. Ian
Pelling, Mr. Andrew
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rogerson, Dan
Rosindell, Andrew
Rowen, Paul
Ruffley, Mr. David
Russell, Bob
Sanders, Mr. Adrian
Selous, Andrew
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Thurso, John
Timpson, Mr. Edward
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vara, Mr. Shailesh
Viggers, Sir Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Wright, Jeremy
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
Mr. Richard Benyon and Mr. Crispin Blunt

NOES

Abbott, Ms Diane
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Balls, rh Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Brennan, Kevin
Brown, Lyn
Brown, rh Mr. Nicholas
Brown, Mr. Russell
Browne, rh Des
Bryant, Chris
Burden, Richard
Burgon, Colin
Butler, Ms Dawn
Byers, rh Mr. Stephen
Byrne, Mr. Liam
Caborn, rh Mr. Richard
Cairns, David
Campbell, Mr. Alan
Campbell, Mr. Ronnie
Caton, Mr. Martin
Cawsey, Mr. Ian
Challen, Colin
Chaytor, Mr. David
Clapham, Mr. Michael
Clark, Ms Katy
Clark, Paul
Clarke, rh Mr. Charles
Clarke, rh Mr. Tom
Clelland, Mr. David
Clwyd, rh Ann
Coaker, Mr. Vernon
Coffey, Ann
Cohen, Harry
Connarty, Michael
Cook, Frank
Cooper, Rosie
Cooper, rh Yvette
Corbyn, Jeremy
Cousins, Jim
Crausby, Mr. David
Creagh, Mary
Cruddas, Jon
Cryer, Mrs. Ann
Cummings, John
Cunningham, Mr. Jim
Cunningham, Tony
Curtis-Thomas, Mrs. Claire
David, Mr. Wayne
Davidson, Mr. Ian
Davies, Mr. Quentin
Dean, Mrs. Janet
Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
Dobbin, Jim
Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
Eagle, Angela
Eagle, Maria
Efford, Clive
Engel, Natascha
Ennis, Jeff
Etherington, Bill
Farrelly, Paul
Field, rh Mr. Frank
Fisher, Mark
Fitzpatrick, Jim
Flello, Mr. Robert
Flynn, Paul
Follett, Barbara
Foster, Mr. Michael *(Worcester)*
Foster, Michael Jabez *(Hastings and Rye)*
Francis, Dr. Hywel
Gardiner, Barry
George, rh Mr. Bruce
Gerrard, Mr. Neil
Gibson, Dr. Ian
Gilroy, Linda
Goggins, Paul
Griffith, Nia
Griffiths, Nigel
Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hanson, rh Mr. David
Harman, rh Ms Harriet
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jim
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Keeley, Barbara
Keen, Alan
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Linton, Martin

Lloyd, Tony
Lucas, Ian
MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Marris, Rob
Marsden, Mr. Gordon
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Mullin, Mr. Chris
Munn, Meg
Murphy, Mr. Denis
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Purnell, rh James
Rammell, Bill
Raynsford, rh Mr. Nick
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Seabeck, Alison
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Smith, John
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Taylor, David
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Walley, Joan
Waltho, Lynda
Ward, Claire
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony

Tellers for the Noes:
Mark Tami and Helen Goodman

Question accordingly negatived.

MADAM DEPUTY SPEAKER *then proceeded to put forthwith the Questions necessary for the disposal of the business to be concluded at that hour.*

New Clause 24

RESPONSIBILITY FOR CHILDREN IN CARE WHO ENTER CUSTODY

'In section 20 of the 1989 Act after subsection (11), insert—

"(12) Where a child was accommodated by the local authority under this section immediately before being detained, the child shall continue to be deemed a "looked after child" for the purposes of section 23(1)(b) and section 24 of this Act save for the provision of accommodation."

(13) In this section "detained" means detained in a remand centre, a young offenders institution or a secure training centre, or any other institution pursuant to an order of a court."

In section 22 of the 1989 Act after subsection (1)(b), insert—

"(c) deemed to be looked after in accordance with section 20(12).'".—*[Tim Loughton.]*

Brought up, and read the First time.

Question put, That the clause be read a Second time:—

The House divided: Ayes 198, Noes 289.

Division No. 273] **[6.16 pm**

AYES

Afriyie, Adam
Ainsworth, Mr. Peter
Alexander, Danny
Amess, Mr. David
Arbuthnot, rh Mr. James
Atkinson, Mr. Peter
Barker, Gregory
Baron, Mr. John
Barrett, John
Beith, rh Sir Alan
Bellingham, Mr. Henry
Bercow, John
Beresford, Sir Paul
Binley, Mr. Brian
Bone, Mr. Peter
Boswell, Mr. Tim
Brake, Tom
Brazier, Mr. Julian
Breed, Mr. Colin
Brokenshire, James
Brooke, Annette
Browne, Mr. Jeremy
Browning, Angela
Bruce, rh Malcolm
Burns, Mr. Simon
Burrowes, Mr. David
Burstow, Mr. Paul
Burt, Alistair
Burt, Lorely
Cable, Dr. Vincent
Carmichael, Mr. Alistair
Carswell, Mr. Douglas
Cash, Mr. William
Chope, Mr. Christopher
Clappison, Mr. James
Clark, Greg
Clarke, rh Mr. Kenneth
Clegg, rh Mr. Nick
Cormack, Sir Patrick
Cox, Mr. Geoffrey
Crabb, Mr. Stephen
Curry, rh Mr. David
Davey, Mr. Edward
Davies, Philip
Dodds, Mr. Nigel
Dorries, Mrs. Nadine
Duddridge, James
Duncan, Alan
Ellwood, Mr. Tobias
Evans, Mr. Nigel
Evennett, Mr. David
Fabricant, Michael
Farron, Tim
Featherstone, Lynne
Field, Mr. Mark
Foster, Mr. Don
Francois, Mr. Mark
Fraser, Christopher
Gale, Mr. Roger
Garnier, Mr. Edward
Gauke, Mr. David
George, Andrew
Gibb, Mr. Nick
Goldsworthy, Julia
Goodman, Mr. Paul
Goodwill, Mr. Robert
Gove, Michael
Gray, Mr. James
Grayling, Chris
Green, Damian
Greening, Justine
Greenway, Mr. John
Grieve, Mr. Dominic
Hammond, Mr. Philip
Hammond, Stephen
Hancock, Mr. Mike
Hands, Mr. Greg
Harper, Mr. Mark
Harris, Dr. Evan
Harvey, Nick
Hayes, Mr. John
Heath, Mr. David
Heathcoat-Amory, rh Mr. David
Hemming, John
Hendry, Charles
Hoban, Mr. Mark
Hogg, rh Mr. Douglas
Hollobone, Mr. Philip
Holmes, Paul
Horam, Mr. John
Horwood, Martin

Howarth, David
Howell, John
Huhne, Chris
Hunt, Mr. Jeremy
Hunter, Mark
Hurd, Mr. Nick
Jack, rh Mr. Michael
Jackson, Mr. Stewart
Jenkin, Mr. Bernard
Jones, Mr. David
Key, Robert
Kirkbride, Miss Julie
Kramer, Susan
Laing, Mrs. Eleanor
Lait, Mrs. Jacqui
Lamb, Norman
Lancaster, Mr. Mark
Laws, Mr. David
Leech, Mr. John
Leigh, Mr. Edward
Letwin, rh Mr. Oliver
Liddell-Grainger, Mr. Ian
Lilley, rh Mr. Peter
Llwyd, Mr. Elfyn
Loughton, Tim
Mackay, rh Mr. Andrew
Maclean, rh David
Main, Anne
Malins, Mr. Humfrey
Maples, Mr. John
May, rh Mrs. Theresa
McCrea, Dr. William
McIntosh, Miss Anne
McLoughlin, rh Mr. Patrick
Milton, Anne
Mitchell, Mr. Andrew
Newmark, Mr. Brooks
Osborne, Mr. George
Paice, Mr. James
Paisley, rh Rev. Ian
Pelling, Mr. Andrew
Penrose, John
Pickles, Mr. Eric
Price, Adam
Prisk, Mr. Mark
Pritchard, Mark
Pugh, Dr. John
Randall, Mr. John
Redwood, rh Mr. John
Reid, Mr. Alan
Rennie, Willie
Robathan, Mr. Andrew
Robertson, Hugh
Robertson, Mr. Laurence
Rosindell, Andrew
Rowen, Paul
Russell, Bob
Sanders, Mr. Adrian
Selous, Andrew
Shepherd, Mr. Richard
Simmonds, Mark
Simpson, David
Simpson, Mr. Keith
Smith, Sir Robert
Soames, Mr. Nicholas
Spelman, Mrs. Caroline
Spicer, Sir Michael
Spink, Bob
Spring, Mr. Richard
Streeter, Mr. Gary
Stuart, Mr. Graham
Stunell, Andrew
Swayne, Mr. Desmond
Swinson, Jo
Swire, Mr. Hugo
Syms, Mr. Robert
Taylor, Mr. Ian
Taylor, Matthew
Taylor, Dr. Richard
Thurso, John
Timpson, Mr. Edward
Turner, Mr. Andrew
Tyrie, Mr. Andrew
Vara, Mr. Shailesh
Viggers, Sir Peter
Villiers, Mrs. Theresa
Walker, Mr. Charles
Wallace, Mr. Ben
Waterson, Mr. Nigel
Watkinson, Angela
Webb, Steve
Whittingdale, Mr. John
Widdecombe, rh Miss Ann
Wiggin, Bill
Williams, Hywel
Williams, Mark
Williams, Mr. Roger
Williams, Stephen
Willis, Mr. Phil
Willott, Jenny
Wilshire, Mr. David
Wilson, Mr. Rob
Wilson, Sammy
Winterton, Ann
Wright, Jeremy
Young, rh Sir George
Younger-Ross, Richard

Tellers for the Ayes:
Mr. Crispin Blunt and
Mr. Richard Benyon

NOES

Abbott, Ms Diane
Alexander, rh Mr. Douglas
Allen, Mr. Graham
Anderson, Mr. David
Anderson, Janet
Armstrong, rh Hilary
Atkins, Charlotte
Austin, Mr. Ian
Austin, John
Bailey, Mr. Adrian
Baird, Vera
Balls, rh Ed
Barlow, Ms Celia
Barron, rh Mr. Kevin
Battle, rh John
Bayley, Hugh
Begg, Miss Anne
Bell, Sir Stuart
Benn, rh Hilary
Benton, Mr. Joe
Berry, Roger
Betts, Mr. Clive
Blackman, Liz
Blackman-Woods, Dr. Roberta
Blears, rh Hazel
Blizzard, Mr. Bob
Blunkett, rh Mr. David
Borrow, Mr. David S.
Bradshaw, Mr. Ben
Brennan, Kevin
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Brown, rh Mr. Nicholas
Brown, Mr. Russell
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Cooper, rh Yvette
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Davies, Mr. Quentin
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Denham, rh Mr. John
Devine, Mr. Jim
Dhanda, Mr. Parmjit
Dismore, Mr. Andrew
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Dobson, rh Frank
Donohoe, Mr. Brian H.
Doran, Mr. Frank
Dowd, Jim
Drew, Mr. David
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Foster, Michael Jabez *(Hastings and Rye)*
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Gilroy, Linda
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Grogan, Mr. John
Gwynne, Andrew
Hain, rh Mr. Peter
Hall, Mr. Mike
Hall, Patrick
Hanson, rh Mr. David
Harman, rh Ms Harriet
Havard, Mr. Dai
Healey, John
Henderson, Mr. Doug
Hendrick, Mr. Mark
Hepburn, Mr. Stephen
Heppell, Mr. John
Hesford, Stephen
Hewitt, rh Ms Patricia
Heyes, David
Hill, rh Keith
Hillier, Meg
Hodgson, Mrs. Sharon
Hoey, Kate
Hood, Mr. Jim
Hope, Phil
Hopkins, Kelvin
Howarth, rh Mr. George
Hoyle, Mr. Lindsay
Hughes, rh Beverley
Humble, Mrs. Joan
Hutton, rh Mr. John
Iddon, Dr. Brian
Ingram, rh Mr. Adam
Irranca-Davies, Huw
Jackson, Glenda
James, Mrs. Siân C.
Jenkins, Mr. Brian
Johnson, Ms Diana R.
Jones, Helen
Jones, Mr. Kevan
Jones, Lynne
Jones, Mr. Martyn
Jowell, rh Tessa
Joyce, Mr. Eric
Keeley, Barbara
Keen, Alan
Kemp, Mr. Fraser
Kennedy, rh Jane
Khan, Mr. Sadiq
Kidney, Mr. David
Kilfoyle, Mr. Peter
Knight, Jim
Ladyman, Dr. Stephen
Lammy, Mr. David
Laxton, Mr. Bob
Lazarowicz, Mark
Lepper, David
Levitt, Tom
Linton, Martin
Lloyd, Tony
Lucas, Ian

MacShane, rh Mr. Denis
Mactaggart, Fiona
Mahmood, Mr. Khalid
Malik, Mr. Shahid
Mallaber, Judy
Marris, Rob
Marsden, Mr. Gordon
Marshall-Andrews, Mr. Robert
Martlew, Mr. Eric
McAvoy, rh Mr. Thomas
McCabe, Steve
McCafferty, Chris
McCarthy, Kerry
McCarthy-Fry, Sarah
McDonagh, Siobhain
McDonnell, John
McFadden, Mr. Pat
McGuire, Mrs. Anne
McIsaac, Shona
McKechin, Ann
McKenna, Rosemary
McNulty, rh Mr. Tony
Meacher, rh Mr. Michael
Meale, Mr. Alan
Michael, rh Alun
Milburn, rh Mr. Alan
Miliband, rh Edward
Miller, Andrew
Mitchell, Mr. Austin
Moffat, Anne
Moffatt, Laura
Mole, Chris
Moon, Mrs. Madeleine
Morgan, Julie
Morley, rh Mr. Elliot
Mudie, Mr. George
Munn, Meg
Murphy, Mr. Denis
Murphy, Mr. Jim
Murphy, rh Mr. Paul
Naysmith, Dr. Doug
Norris, Dan
O'Brien, Mr. Mike
O'Hara, Mr. Edward
Olner, Mr. Bill
Owen, Albert
Palmer, Dr. Nick
Pearson, Ian
Plaskitt, Mr. James
Pound, Stephen
Prentice, Bridget
Prentice, Mr. Gordon
Prescott, rh Mr. John
Primarolo, rh Dawn
Purnell, rh James
Rammell, Bill
Reed, Mr. Andy
Reed, Mr. Jamie
Reid, rh John
Riordan, Mrs. Linda
Robertson, John
Rooney, Mr. Terry
Roy, Mr. Frank
Ruane, Chris
Ruddock, Joan
Russell, Christine
Ryan, rh Joan
Seabeck, Alison
Sharma, Mr. Virendra
Shaw, Jonathan
Sheerman, Mr. Barry
Simon, Mr. Siôn
Simpson, Alan
Singh, Mr. Marsha
Skinner, Mr. Dennis
Slaughter, Mr. Andy
Smith, rh Mr. Andrew
Smith, Angela E. *(Basildon)*
Smith, Geraldine
Smith, rh Jacqui
Smith, John
Snelgrove, Anne
Soulsby, Sir Peter
Southworth, Helen
Spellar, rh Mr. John
Starkey, Dr. Phyllis
Stewart, Ian
Stoate, Dr. Howard
Strang, rh Dr. Gavin
Straw, rh Mr. Jack
Stringer, Graham
Taylor, David
Thornberry, Emily
Timms, rh Mr. Stephen
Tipping, Paddy
Todd, Mr. Mark
Touhig, rh Mr. Don
Trickett, Jon
Truswell, Mr. Paul
Turner, Dr. Desmond
Turner, Mr. Neil
Twigg, Derek
Ussher, Kitty
Walley, Joan
Waltho, Lynda
Ward, Claire
Watson, Mr. Tom
Watts, Mr. Dave
Whitehead, Dr. Alan
Wicks, Malcolm
Williams, rh Mr. Alan
Williams, Mrs. Betty
Wills, Mr. Michael
Wilson, Phil
Winnick, Mr. David
Winterton, rh Ms Rosie
Woolas, Mr. Phil
Wright, Mr. Anthony
Wright, David
Wright, Mr. Iain
Wright, Dr. Tony

Tellers for the Noes:
Mark Tami and Helen Goodman

Question accordingly negatived.

After Clause 6

Amendment made: No. 4, page 5, line 38, leave out clause 7.—*[Sarah McCarthy-Fry.]*

Clause 9

PROVISION OF ACCOMMODATION AND MAINTENANCE FOR CHILDREN WHO ARE LOOKED AFTER BY A LOCAL AUTHORITY

Amendment made: No. 7, page 8, line 34, at end insert—

'( ) Until the coming into force of subsection (1), Schedule 2 to the 1989 Act has effect with the modifications specified in Schedule [Transitory modifications of Schedule 2 to the 1989 Act].'.—*[Sarah McCarthy-Fry.]*

Clause 18

NOTIFICATION TO APPROPRIATE OFFICER OF CHILDREN IN LONG-TERM CARE

Amendments made: No. 8, page 14, line 25, leave out '(4)' and insert '(4A)'.

No. 9, in page 14, line 38, at end insert—

'(4A) After that subsection add—

"(5) For the purposes of subsection (4)(b), if the child is not in the area of the local authority, they must treat him as if he were in that area."'.—*[Sarah McCarthy-Fry.]*

Clause 32

POWER OF REGISTRAR GENERAL TO SUPPLY INFORMATION TO NATIONAL AUTHORITIES

Amendment made: No. 10, page 25, line 23, leave out 'the death of a' and insert 'a deceased'.—*[Sarah McCarthy-Fry.]*

New Schedule 1

'TRANSITORY MODIFICATIONS OF SCHEDULE 2 TO THE 1989 ACT

1 Paragraph 12 of Schedule 2 to the 1989 Act (regulations as to placing of children with local authority foster parents) has effect as if paragraphs (d) and (g) were omitted.

2 That Schedule has effect as if, after paragraph 12, there were inserted—

"12A (1) Regulations under section 23(2)(a) may, in particular, also make provision—

(a) for securing that a child is not placed with a local authority foster parent unless that person is for the time being approved as a local authority foster parent by such local authority as may be prescribed;

(b) establishing a procedure under which any person in respect of whom a qualifying determination has been made may apply to the appropriate national authority for a review of that determination by a panel constituted by that national authority.

(2) A determination is a qualifying determination if—

(a) it relates to the issue of whether a person should be approved, or should continue to be approved, as a local authority foster parent; and

(b) it is of a prescribed description.

(3) Regulations made by virtue of sub-paragraph (1)(b) may include provision as to—

(a) the duties and powers of a panel;

(b) the administration and procedures of a panel;

(c) the appointment of members of a panel (including the number, or any limit on the number, of members who may be appointed and any conditions for appointment);

(d) the payment of fees to members of a panel;

(e) the duties of any person in connection with a review conducted under the regulations;

(f) the monitoring of any such reviews.

(4) Regulations made by virtue of sub-paragraph (3)(e) may impose a duty to pay to the appropriate national authority such sum as that national authority may determine; but such a duty may not be imposed upon a person who has applied for a review of a qualifying determination.

(5) The appropriate national authority must secure that, taking one financial year with another, the aggregate of the sums which become payable to it under regulations made by virtue of sub-paragraph (4) does not exceed the cost to it of performing its independent review functions.

(6) The appropriate national authority may make an arrangement with an organisation under which independent review functions are performed by the organisation on the national authority's behalf.

(7) If the appropriate national authority makes such an arrangement with an organisation, the organisation is to perform its functions under the arrangement in accordance with any general or special directions given by that national authority.

(8) The arrangement may include provision for payments to be made to the organisation by the appropriate national authority.

(9) Payments made by the appropriate national authority in accordance with such provision shall be taken into account in determining (for the purpose of sub-paragraph (5)) the cost to that national authority of performing its independent review functions.

(10) Where the Welsh Ministers are the appropriate national authority, sub-paragraphs (6) and (8) also apply as if references to an organisation included references to the Secretary of State.

(11) In this paragraph—

"financial year" means a period of twelve months ending with 31st March;

"independent review function" means a function conferred or imposed on a national authority by regulations made by virtue of sub-paragraph (1)(b);

"organisation" includes a public body and a private or voluntary organisation.

12B Regulations under section 23(2)(a) may, in particular, also make provision as to the circumstances in which local authorities may make arrangements for duties imposed on them by the regulations to be discharged on their behalf.'".—*[Sarah McCarthy-Fry.]*

Brought up, read the First and Second time, and added to the Bill.

Order for Third Reading read.

6.30 pm

Sarah McCarthy-Fry: I beg to move, That the Bill be now read the Third time.

I thank all the hon. Members who have contributed to the debates on the Bill. We have benefited from an exceptionally high quality of debate, both on Report this afternoon and at the earlier stages. I thank my right hon. Friend the Minister for Children, Young People and Families, who, during my short time at the Department for Children, Schools and Families, has demonstrated her absolute commitment to children and young people; that has also been shown in her work on the Bill.

Once again, I thank my hon. Friend the Member for Cardiff, West (Kevin Brennan), who did virtually all the work on the Bill—yet I am the one presenting it on Third Reading. I wish him really well in his new post and thank him for his work. I also thank everybody who served on the Committee and the two Chairmen. As will be imagined, my bedtime reading has been the *Hansard* reports of the Committee deliberations. I have seen that the Committee showed great dedication, expertise and diligence in its output.

Members on both sides have been generous with their time and wisdom and I am happy to say that that has improved the Bill and sharpened the Government's thinking on a wide range of issues. Looked-after children will benefit from the improvements, and that is a goal that we all share. The Bill strengthens the framework for the support given to looked-after children, reflecting our high ambitions for such children and young people to enable them to achieve the potential that we all know they have. As a result of the Bill, children in care will benefit from greater stability in their lives and experiences of care. Their voices will be heard more clearly by their corporate parents, and, crucially, their views and wishes will be more systematically taken into account in decisions that affect them.

However, let me be absolutely clear that the passage of the Bill does not signal the end of our efforts to improve the lives of those children; it is the beginning of the journey. Legislation, on its own, will not change practice. We must continue to drive change and improvements at every level in the care system because we know that doing better for vulnerable children is difficult. It requires dedication, patience, persistence and a commitment to make the difference.

To improve practice at every level requires effort and better parenting from everyone in the system: those working with children and young people directly; social workers and carers, who clearly have a crucial role; independent reviewing officers; visitors; teachers; GPs; nurses; dentists; and all those who affect children's lives. There are also those who lead and manage the system: lead members in local authorities, chief executives and managers in all the organisations that play a role in supporting these most vulnerable children and young people as they go through the care system and when they leave care.

We all need to become advocates for children in care. We do not have to be designated teachers to care about the performance of looked-after children. We do not have to be looked-after children's nurses to care about their health. It is the job of all of us to do better.

In the next year we will be implementing this Bill—putting it into practice through regulations, statutory guidance and the inspection and performance frameworks for local authorities and others providing care. We will also continue to innovate and improve practice through our pilots and through work with the sector to support improvement right across the country. The Bill provides the right framework to drive improvement, but we will be working closely with our partners locally to ensure that everyone can make the most of opportunities that it provides to do better for children in care.

Helen Southworth: The Bill that my hon. Friend describes is radical and revolutionary for children in care, and we all truly appreciate what has been done to achieve it. Will she assure us that young people who are leaving care and in transition will get the same consideration in regulations and in practice improvements over the next months and years?

Sarah McCarthy-Fry: I thank my hon. Friend for her intervention. In the short time that I have been at the Department, she has demonstrated her commitment to that particular group of people, who she has been diligent in bringing to my attention. I can assure her that we will continue to keep them in mind, along with all the other looked-after children.

This is not a single-year initiative or a quick fix. We need to keep working together to do better, and this Government will review progress every year in an annual ministerial stock-take. I am sure that all Members of this House will continue to work together constructively for the benefit of all children, but particularly for children in care. We will celebrate the successes of those already working so hard for children in care, and the successes and achievements of children and young people themselves, but we will be clear about where we need to push harder to improve and do better, and we will report progress to Parliament each year.

6.36 pm

Tim Loughton: I am happy, on behalf of the Opposition, to add my support to the Bill, as we have done all along. I congratulate the Minister on carrying it off as if she had been part of the Bill's passage right from the beginning rather than for a matter of hours. She acquitted herself exceedingly well having been thrown in at the deep end with very little notice.

I want to say one negative thing and then a few positive things. The negative comment carries on from our interrupted debate on the private fostering registration scheme. Given that the measures in the Bill have had widespread support and that other amendments have been taken on board constructively by the Government, in principle if not in word, it is unfortunate that that scheme, for which many of us, in all earnestness and genuineness, have called over many years, was turfed out with no credible idea of when the Government might at long last invoke it, having given it one more chance to work back in 2004. It is a cop-out to say that the data are not available. It was not clear by the end of the Minister's comments, which took us almost up to 6 o'clock, whether it is purely a shortage of data that is preventing the scheme from going ahead or, as I fear, the Minister's failure to come to terms with its principle. As Utting knew, Laming knew, and most children's organisations knew, this scheme is well overdue, but for some reason the Government, having blamed local authorities and the last Conservative Government, simply will not bring it in. I am afraid that we have no confidence that after another four years—not that they will be in a position to do it then—they would say, "Now the data are in and at last we will let children have the protection of this scheme."

Let me turn to the positives. This is an important Bill. It has been long in coming and it contains many measures that many Members on both sides of the House have called for over many years to protect this most vulnerable group of children for whom outcomes have been absolutely scandalous for far too many years under successive Governments. On every outcome applicable to children in the care system—be it on educational outcomes, health outcomes, homelessness outcomes, or ending up in the justice system—those children get a very raw deal, and it shames us all still to have to debate some of the statistics. I hope that, as the Minister rightly said, although the Bill is not a panacea that will solve all the problems, it is the start of a journey towards changing attitudes and priorities.

We very much welcome the serious measures taken in the Bill to give greater stability to children in the care system by trying, where possible, to keep them closer to home, in familiar environments, with familiar people and in association with their siblings, and to provide consistency with regard to the people looking after them and the places where they go to school. It places greater responsibilities on authorities to assure the well-being of people in the care system.

I welcomed the much more constructive tone in Committee, where the welfare checklist we introduced was taken positively on board by the then Minister of State, who said that she would consider incorporating a version of it in the regulations that will follow the Bill. We welcome the greater recognition—not quite as categorical in the Bill as we might have liked—of the importance of kinship care and sibling contact. We welcome the care breaks for disabled children, which the Secretary of State was largely responsible for initiating in the Every Disabled Child Matters campaign some time ago. We welcome the innovation of social worker practices, which did not feature in discussions on Report, but which are a radical, bold move. The findings from the initial pilots will be eagerly awaited.

We need innovation in this aspect of public service because, at the end of the day, it is not the ownership of the provision of service that matters, but the welfare of the children and the advancement and results we are achieving for the most vulnerable. I know that we all agree that that must be our most important objective. It is a shame that there is not to be an immediate private foster carers registration scheme. It is a shame that our idea of a chief social worker, which we proposed in Committee, will have to wait a few more months. It is a shame that a foster carers charter is not to be included, and that the extra protection for children in the custody system, which we recommended, is not to be incorporated. However, Ministers made positive responses, which demonstrated an appreciation of the principles and intention behind some of those proposals.

In closing, I thank my colleagues on the Committee. The hon. Member for Crewe and Nantwich (Mr. Timpson) is no longer a Committee virgin: he was plunged in at the deep end and proved his expertise and knowledge on the subject of the family legal system and children in the care system. As a very new and fresh Member, he acquitted himself exceedingly well. My hon. Friend the Member for Isle of Wight (Mr. Turner) again brought to bear his expertise in this area, as did my hon. Friend the Member for Bromsgrove (Miss Kirkbride), who has been involved in many debates on children's legislation before. We were ably whipped by a loquacious Whip, in the form of my hon. Friend the Member for Upminster (Angela Watkinson). We have had a good team. In fact, I think it is the first Public Bill Committee on which I have served where just about every Labour Back Bencher made good contributions—they were not there just to be Lobby fodder. I pass on my thanks to the Clerks, who helped us considerably in getting the terminology of our amendments right so that not many were turfed out because they failed to pass muster.

We wish the Bill well. We have wished for many of the intentions and proposals in it for many years, and at last they have become a reality. At last, we can say with

[Tim Loughton]

some confidence that a serious attempt has been made to address and attack the scandal that is the outcome for the most vulnerable young people—those who find themselves in the care system through no fault of their own.

6.43 pm

Helen Southworth: I would like to say once again how effective the Bill is, how effective the process has been and how positive future outcomes should be for young people in care and those leaving care. I would not be speaking in this debate if I were not prepared to say that I want to make sure we get those outcomes. We have been around for a little while now, and we know that sometimes, despite our best intentions, delivery for young people is not what we would always want it to be. I therefore ask Ministers again, in the next few months when regulations are being prepared to support the measure, to give particular consideration to the young people whom we have identified as especially vulnerable—those who leave care too early. The Bill will reduce the number of those young people, but we must monitor the situation to ensure that that happens, and that effective support is provided in the transitional stages for those who leave care before the age of 18.

I hope that Ministers will do significant work on the outcomes for young people in custody. As hon. Members know, there is a young offenders institution in my constituency. For 11 years I have worked closely with the officers and support staff there, and have been incredibly impressed by some of the measures that they have put in place to help vulnerable young people change their lives. They have been ably assisted by social work support at the institution. It is important that the Bill and the provision for visitors do not undermine but support and add to the concept of having an embedded social worker in a young offenders institution. I hope that the regulations will show that that will take place.

In our earlier debates it was said that, when a young person is preparing to leave a young offenders institution, it is important for an effective and experienced social worker, if not an independent reviewing officer—that remains my preference—to be involved. Someone who has the skills, experience and abilities commensurate with being an independent reviewing officer should determine whether the young person needs to return to looked-after status, and what accommodation is suitable, and ensure that the pathways are effective and established to support those young people once they have completed a custodial sentence.

Again, I press for support up to the age of 21 for young people who leave care. Supported accommodation is essential for young people. It is essential for everybody to have access to help, support and information when they first try to live independently, pay bills and manage a tenancy. We need to ensure in the regulations that young people who leave care are properly supported, and make it clear that there are statutory requirements, which will be monitored to ensure that the changes are put in place.

Those things sound prescriptive—they are—but I know that Ministers and other hon. Members want them to happen. We are at the stage of moving on to expect local authorities to deliver for us. We need to be clear about our expectations of the monitoring process and of the way in which inspections are carried out, to ensure that the objectives are delivered for young people.

6.48 pm

Annette Brooke: The Bill is important, and I hope that it will deliver exactly what we want. The process seems to have been long, starting from the Green Paper and then the White Paper. Throughout the process, listening to children and young people in care has been important and has informed parts of the measure. I look forward to young people continuing to be consulted as it is implemented, and to their wishes and feelings continuing to be respected. Perhaps more than on other measures, I have been aware of the dialogue with young people about the Bill. It is incredibly important.

It is a sad irony that many young people come into care because of problems not of their making, and end up with their own problems because of the care system. The problems are well documented—we could go through the statistics for the poor outcomes. However, we must ask ourselves whether we have found the solutions.

Throughout the process, we have tried exceedingly hard and discussed all the main issues. We have spent a lot of time talking about the importance of kinship care, early intervention and family support for both the family and the individual child. We have also been talking a lot about supporting education and ensuring continuity if there is a relationship with a social worker.

I share the concerns expressed about the importance of maintaining support up to the age of 21. Perhaps that is mainly an aspiration, but we must not lose sight of it. Let me also express my regret that time constraints today have prevented us from commenting on some of the important recommendations in the United Nations report published on Friday.

Finally, I thank my hon. Friend the Member for Ceredigion (Mark Williams), who brought his teaching experience to bear in Committee. I would also like to thank everyone who served on the Committee. It was a good Committee, with good responses from the Ministers. As usual, I hope that the words will be translated into regulations that will make a real difference. I welcome the idea of having a progress report each year, and thank all the Ministers and the Chairmen of the Committee.

6.51 pm

Mr. Kidney: It is inevitable that on Report we focus on the areas of contention, but at least on Third Reading we can remind ourselves of the good things that got much less of a mention earlier in the day.

A good starting point is to remind ourselves that although our noble Friend Lord Adonis has moved on to another Department, he can look back with pride on the improvements in the Bill that he personally steered through the other place. I am thinking particularly of the new statutory duty for all Ministers to promote the well-being of children and young persons, and of the welcome new duty for local authorities to secure a sufficient and diverse range of accommodation for looked-after children. My noble Friend will be able to look back with pride on his contribution towards those two improvements on the current situation.

All of us in the House and in government can be proud of the achievements that we hope to see as a result of the Bill: the new duty on local authorities to ensure visits to looked-after children; the designated member of staff at schools to ensure that pupils do better in school; the new encouragement of young people from a care background to go to university, with financial and other support; and the assistance for those who want to seek a career in a vocational setting.

The changes to the power of local authorities to give cash to family members who look after children are welcome. I know, too, that the Every Disabled Child Matters coalition was pleased with the introduction of breaks for carers who look after disabled children. Finally, a small but noticeable improvement appears later in the Bill for grandparents and other family members who want a greater involvement in the upbringing of their child family members, namely the possibility of applying to court for an order, including a residence order. There are therefore some important changes to the law that we can all be pleased about.

However, as several hon. Members have said, it is one thing to pass the law, but another to see the practice that follows. We all have a responsibility to continue our scrutiny after today, to ensure that the implementation is just as good as the passing of the Bill. Perhaps a starting point is not only to say thank you to those who have achieved so much so far for that vulnerable group of young people, but to offer them words of encouragement to keep going.

So, to the ministerial team and the officers in the Department: thank you, but keep going. To those in local government, including the elected representatives, the officers and the employers, such as the social workers and the residential care staff: thank you, but keep going. To the private sector contributors, especially in the foster care sector, and the great network of foster carers who look after children: thank you, and keep going. I want to encourage parents and children's family members, as well as the children themselves, to think that there is support for them. They must not give up. To them I say, "Thank you for what you do. Keep going."

If any hon. Member asks why we pass such legislation or why we take an interest in how it is implemented afterwards, the answer in this case is surely that we are talking about a group that is clearly identified. It is reasonably small in number, comparatively speaking, yet the vulnerability and the suffering of those young people are immense. We all feel a passionate desire to improve their situation for the future.

Lastly, I extend an invitation to hon. Members who are not already members to join the associate parliamentary group on looked-after children and care leavers, if they want to continue to take an interest in the subject, meet young people who are in care or who have left care, and listen to them discuss directly their experiences and ideas. They are amazing people with great ideas and talent. They should have a wider audience.

6.55 pm

Mr. Timpson: Briefly, I join other hon. Members in welcoming the main body and thrust of the Bill, although some opportunities have been missed, which have been highlighted and which were gone through with a fine-toothed comb in Committee by my hon. Friend the Member for East Worthing and Shoreham (Tim Loughton).

I bring two such issues to the attention of the House and urge the Government to continue to look at them closely in the near future: the registration scheme, and the treatment and support of children in custody who have lost their looked-after status having come from voluntary accommodation. That is a serious issue that needs urgent attention, and I put the Government on notice that we want some action on it sooner rather than later. However, the message from the Committee was one of moving forward for the children who are the most vulnerable in our society. There is no doubt that we have managed to achieve steps in the right direction.

I am also delighted to hear that the Government acknowledge that these measures are the first step, and that there is still a lot of work to do to try to ensure that we provide the support and the service for the most vulnerable children in our society.

On that note, there are two particular aspects of children in care into which the Government need to channel their energies: first, those who are on the cusp of care and are in danger of falling into the care system—we need to try to support them and their families to prevent that from happening, because to this day we still have more than 60,000 children in the care system—and, secondly, children who want to move out of the care system and are on the cusp of a new life. We need to support their long-term future. If we can achieve that, we will have gone a long way to fulfilling our responsibilities—as Members of Parliament, as parents and as responsible members of society.

I welcome the Bill and I am glad that it is a step in the right direction. I look forward to the progress being put into action.

Question put and agreed to.

Bill accordingly read the Third time, and passed, with amendments.

Leicester City Council (Market Charter)

Motion made, and Question proposed, That this House do now adjourn.—*[Steve McCabe.]*

6.57 pm

Mr. Andrew Robathan (Blaby) (Con): I am delighted to have this opportunity to raise a matter that is greatly important, albeit in quite a small way, to many of my constituents. At a time when all political parties agree that we must reduce congestion, unnecessary driving and food miles, we have an extraordinary anomaly surrounding the rival markets policy of Leicester city council.

I think that all political parties would wish to see farmers markets encouraged, where people can buy local food from local farmers. One hopes that the food is healthier and better produced, and it certainly has less embedded carbon in its transport. Typically, farmers markets are particularly strong in meat and vegetables, but many other items such as bread and cheese are often sold as well. I am delighted to say that Leicestershire Food Links organises those markets around Leicestershire, and although the markets suffer setbacks from time to time, they are growing in popularity, as indeed they are around the country.

I would have hoped that all of us wished to encourage the local buying of local food from local producers. Sadly, Leicester city council—those at the council are probably not bad people, although the council is Labour—takes a different view.

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): Cheap!

Mr. Robathan: It is true. The council states that there exists a 12th-century charter, given by a 12th-century king—it could have been Henry II or possibly even the wicked King John—that allows Leicester city, which presumably refers to a predecessor of Leicester city council rather than the current organisation, to impose restrictions on markets to be held close to the city centre. I should stress that nobody can find the charter, although allegedly a copy exists. Leicester city council believes that it is allowed to ban any market within 6 2/3 miles of the city market. I do not know how that slightly odd measurement came about, because after all measurements were made in miles and furlongs.

It being Seven o'clock, the motion for the Adjournment of the House lapsed, without Question put.

Motion made, and Question proposed, That this House do now adjourn.—*[Steve McCabe.]*

Mr. Robathan: As I was saying, in medieval times, measurements were made in miles and furlongs rather than 2/3 miles, which does not quite fit in. Furthermore, the copy of the charter makes no mention of a distance from the city centre. It is suggested that 6 2/3 miles is the distance that a herd of cattle could be driven in a day or a decent walk for a medieval villein, serf or peasant—I would have thought that they could have gone a bit further, but never mind.

The fact remains that the city council believes that it has the legal authority to impose restrictions and ban markets within 6 2/3 miles of the city centre where the city market is located. Blaby, in my constituency, is well outside the city boundaries. I have no problem with the city market, and when I go into Leicester—rarely—I often go there to shop. I certainly wish the market and its traders no ill.

I understand, however, that increasing competition from supermarkets and new commercial shopping centres is probably affecting market trade. There are large supermarkets—Morrisons, I believe, on the old cattle market and a new development called Highcross—which must inevitably be in direct competition with the market, whereas farmers markets, held typically once a month, are not an enormous threat to custom at the city market. Apart from anything else, to drive into the city from my constituency village of Blaby takes some time. Traffic and congestion are often bad and one would have to pay to park on getting there. All those are deterrents to people who might wish to buy potatoes and sausages in the city market. Therefore, the idea that the farmers market in Blaby and the city market are in competition is palpable nonsense.

Nevertheless, apparently the market traders are concerned that they should not lose their supposed position of market dominance over others. For that reason, they have persuaded the city council to enforce the charter. To be fair to the city council, it has recently allowed an extension of the number of farmers markets to one a month. The Minister, who thought I was being partisan earlier, might wish to know that the previous Liberal Democrat administration, supported by the Conservatives, would not allow one a month. Therefore, it is not a partisan issue.

The magnanimity shown recently by the city council is only on the condition that the farmers market pays £300 for each day that it holds a market. The House will understand that that is a large amount to be paid for a small event, and it threatens the viability of the farmers market as a whole. At the same time, the Blaby social centre, which is akin to a village hall, holds a table-top sale to raise money for the social centre, which is a charity. I am sure that all hon. Members in the Chamber—I am delighted to see the hon. Member for Leicester, South (Sir Peter Soulsby)—have similar charitable events in their constituencies. That table-top sale typically earns between £60 and £80 on each occasion. Unbelievably, Leicester city council charges £20 for the privilege of holding that table-top sale.

It is self-evident that in mediaeval times the layout of Leicester city might have been somewhat different, the buildings were different, there were no forms of transport other than by horse and cart—possibly donkey—there were restrictive practices, and payments were made and taxes levied by means such as the charter. Life was altogether a little different without recourse to Topshop, Sainsbury's or Marks and Sparks. If anybody could produce the charter, it would be an interesting and historic document that should be placed in a museum, perhaps on the site of the city market.

Nobody is ever going to accuse me of being a moderniser—I would be most grateful if my party leader did not hear that—but sometimes traditions become outdated and inappropriate. The charter is being used to restrict consumer choice and trade and has no justification whatever in the 21st century, even if

there was apparently a test case in 1979 that upheld the right of Leicester city to dictate to others where they should have markets.

In a radio interview yesterday, a Leicester city councillor told me that the council had a legal duty to uphold the charter. That sounds a pretty spurious explanation to me, and, indeed, the fact that the council is willing to waive the restriction in return for funds suggests that the letter of the law—which I do not think exists anyway—is not being observed.

I wrote to the chief executive of Leicester city council last spring. She replied on 7 May that

"the policy was amended recently to accommodate Blaby farmers market and I am happy to report this event has been very successful".

She also wrote that the

"table top sale.....is categorised as an occasional sale market",

and that

"all events are licensed within our market boundaries and it is important for legal purposes we maintain this position".

I have struggled to find any reasonable justification for the rival markets policy. I very much doubt whether it is genuinely legal; it seems to me to be more a question of custom. I cannot believe that any reasonable person considers that Leicester city's jurisdiction should restrict consumers' choice and trading outside Leicester city. In short, the whole thing is nonsense: it is ludicrous.

Furthermore, the council is acting in entirely the opposite direction to a public policy that many Members in all parts of the House would wish to be pursued—the desirability of buying local produce from local producers locally, for instance at farmers markets. Indeed, I believe that on the one hand the Government give money to support farmers markets, while on the other—with its holistic policy—Leicester city council takes the money away as a tax. Incidentally, there is taxation without representation here.

I ask the Government to examine the position and make a very simple ruling—I suspect it would not require any primary legislation—that the charter, should it exist, be annulled. We elect Governments to govern, and I do not think that this would be a difficult case to fight, but I hope that, if there should be a ridiculous legal challenge from the city council or market traders, judges—who sometimes disappoint me—will have enough sense to throw out the challenge.

If Leicester city council objected to such a course, I would ask it what possible justification there was for the operation of a rival markets policy outside the jurisdiction of its civil authority. I would suggest to my aggrieved constituents that the current situation might be worth testing in law. I cannot believe that the council or Leicester city market traders would be so foolish as to bring an injunction against a farmers market, or even better, a charity table-top sale; but I believe that, if they were so stupid, the case would be easily dismissed by any judge who took a sensible and pragmatic view of life.

Again, I ask the Government to examine the position. It does not require a great deal of time, effort or bureaucracy, and it certainly requires no money. It requires a simple ruling, and possibly a simple order or statutory instrument—I am not sure that it requires even that—to ensure that my constituents and local farmers in Leicestershire can hold farmers markets or charity table-top sales wherever they want in my constituency, without the interference of a local authority that has no jurisdiction over the area except via a spurious and outdated charter.

I shall end on that note. I wish to hear what the Minister has to say. I am also delighted to see that the former leader of Leicester city council, the hon. Member for Leicester, South is present. If he wishes to speak, I shall have no objection if the Minister too does not object.

7.8 pm

Sir Peter Soulsby (Leicester, South) (Lab): I shall certainly take the opportunity to make a few brief remarks.

As the hon. Member for Blaby (Mr. Robathan) acknowledged, the market at the heart of Leicester has been an essential part of the city for many generations, and continues to play a vital part in its life and commerce today. The fact that it is able to do so strongly reflects the fact that over generations the town council—now the city council—has maintained its right and monopoly to hold a market at the heart of Leicester, against the wishes of many who have sought to undermine that right over the years and to diminish the importance of the market.

That said, I have some sympathy with the points made by the hon. Gentleman. I am keen, as he is, to see the expansion and success of farmers markets. As he rightly pointed out, they provide an opportunity for local producers to sell their produce to local people. That is very welcome, and I am pleased that the Government have supported it elsewhere as well as in Leicester. However, I depart from the hon. Gentleman's views to some extent. I am aware of how important it is for the city council to continue to maintain the ancient rights of the market and the charter today, as it has in previous generations. The approach adopted by the Labour-controlled city council is, as he has acknowledged, in sharp contrast to the coalition that preceded it: it is much more aware and sensitive to the needs of his constituents and of the farmers who wish to hold their markets in Blaby. I am pleased that it has allowed markets there and that, in doing that, it has set the fee that it will levy at a reasonable level, given the volume of trade.

Mr. Robathan: I hear what the hon. Gentleman says and I think that he is a reasonable person, but can he justify the fee outside the jurisdiction of Leicester city council?

Sir Peter Soulsby: The market's area of influence of six and a half miles, or whatever it may be, has been long established and reflects the fact that the city is at the heart of the county and is part of the greater Leicester area. The geographic boundaries of the administrative area of the city itself are only a small part of the area that is affected by the city and that would be affected were markets to be allowed to set up regardless of their impact on the long-established charter market at the heart of the city.

I believe that the Labour-controlled city council has been reasonable in the way in which it has looked at the matter. It has looked at the needs of those charitable

[Sir Peter Soulsby]

organisations to which the hon. Gentleman referred. It has set modest charges for them. In light of the scale of the trade that is being done and that is anticipated to be done by the farmers market, which I hope will continue to prosper, the city council has set the charge at a reasonable level.

I believe that the approach should be appropriately balanced between the desirability of having successful farmers markets and the overwhelming desirability of maintaining an ancient market that is viable, thriving and at the heart of the city and its county. The city council has been putting those two things in balance in recent times. That is an appropriate approach to ensure that the market continues to be successful, while reflecting the changing times in which we live.

7.12 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): I congratulate the hon. Member for Blaby (Mr. Robathan) on securing the debate. I have been fascinated to learn of the market charter. Ministers are often accused—falsely—of taking the short-term view, so it has been fascinating to hear of a statute that was signed possibly in the middle ages which can still affect modern decision making today.

I agree completely with what the hon. Gentleman said. Markets are an important hub of community life throughout the country. We estimate that there are more than 1,400 markets in the UK. They each play an important commercial and social role in their communities, a role that is not often acknowledged.

In the interests of researching the debate, I looked at my own constituency of Hartlepool, where we have had a market for several centuries. In 1201, King John gave Hartlepool its first charter, so I was interested to hear about King John possibly giving this particular charter. Obviously, he had a fondness for market charters. The merchants of Hartlepool were given the same privileges as the merchants of Newcastle. As a result of the charter, Hartlepool was able to organise a weekly market, which ushered in a period of sustained prosperity for the area and, as in the hon. Gentleman's constituency, attracted buyers and sellers from a wide area and secured valuable trade routes in my own patch in the north of England.

If we fast forward to the modern age, I still believe that markets, perhaps now more than ever—or more than for many years—can play an important role in the social, economic and commercial life of an area. At a time when people are concerned about the quality of food, its price and the impact on the environment of growing the produce and, crucially, transporting it to be sold and consumed, markets are becoming increasingly important. They can reconnect consumers with local produce, minimise the carbon footprint, provide value for money and help to revitalise town centres, which my Department and I take seriously.

People who are attracted into Blaby through the farmers market will often be tempted to look around the shops of its town centre, thereby helping to secure the viability of local traders. While researching the debate, I was struck by the comments of Councillor Guy Jackson of Blaby district, portfolio holder for the natural and built environment. In November 2007 he said:

> "The farmers market has certainly been successful, attracting hundreds of shoppers to Blaby and making it a busy and bustling town centre. It shows that local people really want fresh produce from local producers. We are delighted we have reached agreement with Leicester city council so we can now have 12 farmers markets in Blaby during 2008."

Some 550 farmers markets take place on a regular basis in the UK. The National Farmers Retail and Markets Association estimates that 10,000 farmers rely on farmers markets and use them to take their produce to the public. They estimate that farmers markets are worth about £220 million annually, money which feeds back directly into the local community.

Farmers markets provide a good opportunity to cut out the middleman and improve financial returns through direct selling, price control and a regular cash flow. They can provide direct customer feedback on produce and prices, reduce the costs of transport and packaging, and provide a secure and regular market outlet, which is especially valuable for new producers, producers in organic conversion and small-scale producers who are unable to produce the quantity that might be required by supermarkets. Encouraging these principles is a key goal outlined in the Government's "Strategy for Sustainable Farming and Food: Facing the Future".

All of this reinforces the point that fundamentally markets are a local facility, servicing local people and providing much-needed outlets for small local producers and entrepreneurs. Just as markets are about providing a local hub for local businesses and people, the issue before us this evening is very much a local issue. It is complex and, as we have heard, has its roots in history and in royal and legal tradition. Nevertheless, it is a local issue.

It is very much the kind of complex local issue that the Government want to encourage local authorities and their communities to resolve. We are often accused by our opponents of being too centralising and of wanting to micro-manage everything. In fact the reverse is true. We believe that decisions are best made as locally as possible and we wish to empower local communities to enable them to make those decisions. We believe it is right that problems such as this are resolved as locally as possible without the intervention of, or interference from, central Government. That is the ethos behind the devolutionary principles we have recently set out in our White Paper "Communities in control: real people, real power". The White Paper is about devolving power to citizens and communities, and it makes significant steps towards giving local people a greater say in their lives and greater control over the forces and decisions that shape their neighbourhoods.

We want to shift power, influence and responsibility away from existing centres of power into the hands of communities and individual citizens. That is because we believe that they can take decisions and solve complex problems for themselves. It is also because local circumstances will be different. Blaby's concerns will be very different from those of Blaydon, or Burbank in my constituency. The state's role should be to set national priorities and minimum standards, while providing support and a fair distribution of resources. The state should act as a facilitator and an enabler.

Mr. Robathan: The hon. Gentleman is making a sensible and rather charming speech, something I do not often say to Ministers. If he does not wish to intervene, which I entirely understand, will he perhaps encourage his colleagues in the Justice Department to give some sensible legal advice as to whether or not one local authority can dictate to farmers markets in another local authority where they should have a market? That would not be intervening.

Mr. Wright: I am touched by the hon. Gentleman's kind words. I am going to refer in a moment to the idea of co-operation between several local authorities, perhaps through the auspices of multi-area agreements. If he would allow me, I might be able to address the points then.

One of the measures announced in the White Paper is our intention to require councils to respond to local petitions. People could use petitions to express their views about markets and other local issues. The duty to respond to local petitions will help to ensure that citizens know that their council listens to their views. On the market in this case—albeit one that is affected by another local authority—local people stating their case and their preference through a local petition could be successful.

I mentioned setting minimum standards. We want to raise the visibility of the overview and scrutiny function in local government. That is a tool by which a community, through its local democratically elected representatives, can address any issue that affects the local area—it could be about street markets, potholes in the road or the adequacy of local health services—relating to the well-being of that community. Local people will be able to hold to account decisions which a local authority's executive has taken or is proposing to take. It equally includes examining any issue of potential importance to the community.

I hope I have made it clear to the hon. Gentleman that I appreciate and empathise with the feeling among farmers and the wider population in Blaby who want to hold regular markets to sell food and other produce direct to local customers. As I said, these types of markets are becoming increasingly important and I understand that the market in Blaby has been successful in attracting large numbers of local people who want to buy fresh produce from local producers. I am pleased to hear that Blaby district council has reached an agreement with Leicester city council to increase the number and frequency of farmers markets in Blaby, and I hope that those constructive discussions continue.

It is important that local government works constructively together if they are to address the challenges that communities and people face in these uncertain times—today is an apt case of that. This is even more important if we acknowledge that communities—and, indeed, economic patterns, travel-to-work areas or even people's shopping habits—do not always recognise or reflect neat administrative boundaries. Our agenda—begun in the 2006 White Paper "Strong and Prosperous Communities" and continued more recently in the sub-national review—recognises the importance of local government working together across boundaries. In this respect, I hope I can address the points the hon. Gentleman made in his intervention.

Multi-area agreements will allow local government to work together across boundaries to promote the economic prosperity of their sub-regions. An MAA is being considered in Leicestershire. The vision underlying it is to inspire businesses, residents and investors in Leicester itself and the surrounding market towns and rural areas. The high-level objective of the MAA is to improve the economic performance of the Leicester and Leicestershire sub-region and hence improve the quality of life for residents, workers and visitors. In turn, local authorities in the area are asking central Government also to play a role in achieving this vision and these objectives. Leicester and Leicestershire submitted their draft MAA proposals to my Department in September. We are now co-ordinating a departmental response from across Whitehall.

If this innovative arrangement is to progress and be a success, there is a premium on constructive and open local dialogue between local authorities and their partners. I am therefore encouraged by the fact that Leicester and Blaby have been able to resolve their differences on this local issue and ensure that the residents of Blaby and the farmers that rely on these markets to generate income can continue to enjoy the market on a regular basis for many years to come.

Question put and agreed to.

Adjourned accordingly at twenty-three minutes past Seven o'clock.

House of Commons

Thursday 9 October 2008

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *IN THE CHAIR*]

PRIVATE BUSINESS

LONDON LOCAL AUTHORITIES (SHOPPING BAGS) BILL *(BY ORDER)*

Order for Second Reading read.

To be read a Second time on Thursday 16 October.

MANCHESTER CITY COUNCIL BILL *[LORDS] (BY ORDER)*

Order read for resuming adjourned debate on Question [12 June], That the Bill be now read a Second time.

Debate to be resumed on Thursday 16 October.

BOURNEMOUTH BOROUGH COUNCIL BILL *[LORDS] (BY ORDER)*

CANTERBURY CITY COUNCIL BILL *(BY ORDER)*

LEEDS CITY COUNCIL BILL *(BY ORDER)*

NOTTINGHAM CITY COUNCIL BILL *(BY ORDER)*

READING BOROUGH COUNCIL BILL *(BY ORDER)*

Orders for Second Reading read.

To be read a Second time on Thursday 16 October.

Oral Answers to Questions

CHURCH COMMISSIONERS

The hon. Member for Middlesbrough, representing the Church Commissioners, was asked—

Stipendiary Pay

1. **Miss Anne McIntosh** (Vale of York) (Con): When the Church Commissioners last met the Archbishop of Canterbury to discuss stipendiary pay for parish priests in rural areas. [225230]

The Second Church Estates Commissioner (Sir Stuart Bell): I have not discussed the subject with the archbishop since June, when we had our annual meeting of the Church Commissioners, but I know that he, like me, would agree with the hon. Lady that parish churches and their congregations are at the heart of rural life. The national stipends benchmark is £21,600, although dioceses set their own policy on the application of national recommendations.

Miss McIntosh: I am most grateful to the hon. Gentleman for that answer. May I express my concern that rural parish vicars are being asked to spread themselves very thinly. As the hon. Gentleman has said, they go to the heart of rural life, but in the midst of the current rural crisis, is that having an impact on recruitment? What is he doing to ensure that we have sufficient parish priests to cope with all the parishes that require pastors?

Sir Stuart Bell: I have sympathy with the points that the hon. Lady makes and with the difficulties that parish priests will have with the cost of living, as have the rest of our citizens at the moment. The policy on parish priests is set by the Archbishops Council, but the commissioners have a role in supporting the ministry. In 2007, we spent almost £178 million, including £105 million on pensions, nearly £33 million on parish mission and ministry support, nearly £25 million on bishops ministry and nearly £7 million on support for cathedrals. As the hon. Lady knows, apart from the stipend, the clergy remuneration package for parish priests in rural areas includes the provision of housing, the payment of council tax, water charges and maintenance costs, a non-contributory pension, removal grants and subsidised insurance in high-risk areas. The hon. Lady has made a valid point about how many more parish priests we can get in rural areas, and the Church will take it into account.

Robert Key (Salisbury) (Con): In addition to the question of stipends, will the Second Church Estates Commissioner tell us about the state of discussions between the Church Commissioners and Her Majesty's Revenue and Customs and the Treasury on the approved motor mileage allowance, which is tax free, because it seems to me that the clergy are currently subsidising their employers.

Sir Stuart Bell: As usual, the hon. Gentleman has made a pertinent and adept point. I am not involved in the discussions between the commissioners and Revenue and Customs. I am happy to give the hon. Gentleman a response, and I will leave a copy in the Library.

Mr. Nigel Evans (Ribble Valley) (Con): I have never seen myself as a trade union leader for vicars, but on this occasion I am happy to do so, because I, too, believe that the parish church is the heart of rural life. Vicars have disappeared from certain areas in my constituency, which means that other vicars have had to double up or even treble up in order to cover those parishes. I hope that discussions will take place with the Archbishop of Canterbury to ensure that the pay package for priests is sufficiently attractive to allow all parishes to be covered.

Sir Stuart Bell: As I said earlier, we think that parish priests are adequately covered in terms of finance, but it is true that churches in outlying villages are closed. When I go to my church in the north-east of England, it is always sad to find it closed. Stipends need to be flexible enough to allow the Church to put clergy where they are best deployed and consistent enough to avoid impeding mobility. Hon. Members have made important points today, which I will take back to the Church.

King James Bible

2. **Tony Baldry** (Banbury) (Con): Whether the Church Commissioners plan to celebrate the 400th anniversary of the publication of the King James Bible in 2011. [225232]

The Second Church Estates Commissioner (Sir Stuart Bell): The 2011 Trust has been established to celebrate that important anniversary through a series of lectures, exhibitions and concerts, culminating in a service of thanksgiving at Westminster abbey on 16 November 2011. I know that the commissioners and the House of Commons will wish the trust well in its work.

Tony Baldry: That is very good news. Of course, the King James Bible made the Bible accessible to every man and woman in the country. As the translator said,

"there should be one more exact translation of the Holy Scriptures into the English tongue",

so it really is good news that there will be celebrations in 2011. Perhaps, in these troubled times, it is worth recalling one phrase from the King James Bible:

"The grass withereth, and the flower thereof falleth away: But the word of the Lord endureth for ever."

Sir Stuart Bell: I am grateful to the hon. Gentleman for his remarks on the pertinence of the text. The authorised version of the Bible is one that we were all brought up on. I was personally saddened when the phrase

"If I wash myself with snow water"

was changed so that the new Bible read "with water". I thought that that was a sad difference between the two Bibles. When I have the opportunity to give a reading, I always use the old version rather than the new.

The hon. Gentleman will know that the 2011 Trust is chaired by my right hon. Friend the Member for Birkenhead (Mr. Field). Its patron is His Royal Highness the Prince of Wales, and my friend the Dean of Westminster is a member. The trust was launched earlier this year in Poet's Corner in Westminster abbey, with speeches by the Bishop of London and Lord Bragg. You will wish to know, Mr. Speaker, as it is a very important point, that the Bible was written and translated in a room in Westminster abbey. It is a very august room; we had a meeting there with the Archbishop of Canterbury not long ago. Anyone who is interested in the history of that particular version of the Bible ought to pay a visit sometime; they will be very impressed.

David Taylor (North-West Leicestershire) (Lab/Co-op): The King James Bible owes much to William Tyndale's New Testament of 1526 and Thomas Cranmer's Book of Common Prayer of 1549—two of the greatest works in our national literature. They were fundamental in shaping the culture and philosophy of all English-speaking nations. Does my hon. Friend agree that without those books English would not be the predominant world language, with its amazing vitality, splendour and versatility, and that our Government should therefore fund a rather more substantial celebration in three years' time?

Sir Stuart Bell: I am happy to take up my hon. Friend's point about the Government providing additional funding. As the pre-Budget report will be produced in two weeks' time, perhaps we can make a Budget submission on that point. My hon. Friend referred to 1526 and onwards, and the contribution that the authorised version made to our literature. That contribution is enormous, and may go on for ever. As for the future, he will be happy to know that the trust is busy commissioning new music and literature, developing educational school projects, publishing new texts, including a green Bible, and undertaking a host of other activities. It is working ecumenically and it will involve museums, galleries, libraries, the media, publishers and, of course, the Church, so the strands that began in 1526 continue to this day.

Sir Patrick Cormack (South Staffordshire) (Con): If these particular splendid words are to endure for ever, would it not be a very good idea to ensure that every child attending a Church of England school is given a copy, not of a green Bible, but of the King James Bible, to commemorate the anniversary?

Sir Stuart Bell: That is an interesting suggestion. May I divert the House briefly, Mr. Speaker? Mr. Randolph Churchill's mouth could never be kept closed, so, during the war, to keep him quiet for a while, he was bet a couple of crates of brandy that he could not read the authorised version of the Bible from cover to cover. Even Randolph Churchill failed in that task; he lost his bet. I would be happy for schoolchildren to have a copy of the authorised version, but I would not recommend that they tried to read it from cover to cover.

ELECTORAL COMMISSION COMMITTEE

The hon. Member for Gosport, representing the Speaker's Committee on the Electoral Commission, was asked—

Commonwealth Citizens

3. **Mr. Philip Hollobone** (Kettering) (Con): What recent assessment the Electoral Commission has made of the effectiveness of the procedures for registering Commonwealth citizens on the electoral register. [225233]

Sir Peter Viggers (Gosport): The Electoral Commission informs me that it has issued guidance to electoral registration officers that includes advice on the registration of qualifying Commonwealth citizens. It has not, however, undertaken any specific assessment of the effectiveness of procedures for registering Commonwealth citizens on the electoral register.

Mr. Hollobone: I thank my hon. Friend for that answer. I am worried that many Commonwealth citizens in this country without indefinite leave to remain may inadvertently be putting themselves on the electoral register because of a failure to understand the rules. I accessed the Electoral Commission website yesterday and downloaded a standard electoral registration form. The declaration at point 3 is that the person registering is a citizen of a Commonwealth country. That, however, is not sufficient for somebody to be eligible for the register. Will the Electoral Commission review the procedures for the form?

Sir Peter Viggers: My hon. Friend is well known for being particularly assiduous and having a good eye for detail, and on this occasion he has put his finger on a specific and significant point. The "About my vote" website carries a marginal note that states:

"You can register to vote if you are 16 years old or over and a British citizen or an Irish, qualifying Commonwealth or European Union citizen who is resident in the UK."

However, yesterday I printed the application form to test it and saw that that marginal note is not repeated in the printed form. I could well understand someone printing out the form without the marginal note and entering on the register someone who was not qualified to vote. I have drawn the point to the Electoral Commission's attention. It is grateful for the point, and it will take up the issue and change the form. We are grateful to my hon. Friend.

Mr. Denis MacShane (Rotherham) (Lab): I wonder whether you, Mr. Speaker, and the hon. Member for Gosport (Sir Peter Viggers) have read schedule 1 to the new Political Parties and Elections Bill, which relates to the Electoral Commission. Under the Bill, the Electoral Commission, on receipt of any allegation about any donation that it decides can thus be investigated, has extraordinary powers to order a break-in at any home of any candidate or agent for a council or parliamentary seat, and to order the removal of all that person's records. That will be an extraordinary interference in democratic politics and involve every single candidate, past and future, for council or parliamentary seats—and their agents and associates. The House has to consider that very seriously. Frankly, any letter of complaint to the Electoral Commission would mean that the home of everybody involved in politics could be ransacked on the pleasure of that obscure body.

Mr. Speaker: Order. Perhaps one day the right hon. Gentleman will speak to the core of the question. Supplementaries are always interesting, but not always relevant.

Fiona Mactaggart (Slough) (Lab): I was wondering whether the attention of the Speaker's Committee on the Electoral Commission had been drawn to a certain episode in my constituency. An election court there has decided that the Conservative candidate in a recent election and his cohorts stuffed the electoral register with ineligible, and in some cases arguably non-existent, people—many of whom were Commonwealth citizens; that, Mr. Speaker, is how the episode connects to the original question.

I remember vividly a Polish woman at the electoral court pointing out that five Pakistanis were not living in her one-bedroom flat. She said to the judge, "I might be Polish, but I am not stupid!" It struck me that it was important that we take action to prevent such ballot-stuffing—"roll-stuffing", the judge called it—from happening in other constituencies. Has the hon. Member for Gosport (Sir Peter Viggers) discussed that problem, and does he have a view on how we can prevent it from happening elsewhere?

Sir Peter Viggers: Yes, indeed: since 2003 the Electoral Commission has taken the view—and expressed it forcefully—that individual registration would help to clarify and firm up the accuracy of the register and make it less likely that circumstances such as those in Slough that the hon. Lady has described will occur. That is the central thrust of the Electoral Commission's view on how we can improve the register in practice.

Simon Hughes (North Southwark and Bermondsey) (LD): Does the hon. Gentleman realise that many people have concerns directly opposite to those of the hon. Member for Kettering (Mr. Hollobone)? There must be millions of eligible Commonwealth citizens in the United Kingdom. My experience of general and local elections—we have one of the latter in our borough today—is that I might find out when I knock on a door and discover a South African, Australian, New Zealander, Ugandan or whoever that they do not realise that they have the right to vote, although they have an absolute qualification without any argument. Will the hon. Gentleman consider whether we need a much better system for assessing how many people are in that category and for making sure that they know? Perhaps notices about people's entitlements could be given to them as they arrive and their passports are checked at immigration.

Sir Peter Viggers: The Electoral Commission is running a campaign, which I think, without reference to the notes, is costing £300,000—some 4 per cent. of its budget—to encourage Commonwealth citizens who are eligible to vote in the United Kingdom but who have not yet registered to register.

Mr. Peter Bone (Wellingborough) (Con): Listening to my hon. Friend the Member for Kettering (Mr. Hollobone) and the hon. Member for Slough (Fiona Mactaggart) one would think that there were far too many people on the electoral roll who should not be there. However, in my experience of delivering surveys in my constituency, one goes down a road where the electoral roll says that there are 100 houses, but there are 120 houses, so in fact a huge number of people are missing from the electoral roll. Has that issue been addressed?

Sir Peter Viggers: Yes; a significant number of people are not registered who could be registered, and some are registered who should not be registered. The Electoral Commission has studied this in some detail over the years and has come back to the central view that the best way ahead is individual registration—removing the responsibility for registration from the head of household, who can make mistakes or not act, and putting responsibility on to individual voters.

SOLICITOR-GENERAL

The Solicitor-General was asked—

Domestic Violence

4. **Mr. Graham Allen** (Nottingham, North) (Lab): What progress the Crown Prosecution Service has made in increasing the proportion of successful prosecutions in domestic violence cases. [225237]

The Solicitor-General (Vera Baird): The proportion of successful prosecutions by the CPS in domestic violence cases has gone up from 55 per cent. in March

2005 to over 72 per cent. in June 2008, and the number of cases has gone up from about 35,000 to 63,000 over the same period.

Mr. Allen: Will the Solicitor-General congratulate the CPS in Nottingham on working very closely with the crime and drugs partnership in promoting a scheme whereby the young people who witness domestic violence are treated as quickly as possible so that the trauma that they experience does not ultimately turn them into people who perpetuate domestic violence? This is often an inter-generational issue. Will the Attorney-General ensure that the CPS in Nottingham continues its excellent work to break that inter-generational cycle so that we do not have another generation of abusers and people perpetrating domestic violence coming along in future years?

The Solicitor-General: I assure my hon. Friend that not only my right hon. and learned Friend the Attorney-General but I will ensure that Nottingham CPS carries on the very good work that it is doing. In general, the CPS now has a very good model of community engagement. It is aware that, in order to get complaints that it can prosecute and to ensure that the effects that my hon. Friend describes can be tackled, it needs to work closely with the non-statutory sector. I read with great interest his recent piece of work on this; it is a very impressive piece in which he makes the point that he just made.

Mrs. Maria Miller (Basingstoke) (Con): The hon. Member for Nottingham, North (Mr. Allen) makes an important point about the effects that domestic violence can have on inter-generational issues. Is the Solicitor-General happy about how the courts take account when cases are taken to prosecution of the effect that domestic violence has on children in the home?

The Solicitor-General: The Crown Prosecution Service deals with prosecutions rather than with the impact on children, if there have been no offences against children. However, the problem is well known. Some model court procedures, most notably in Croydon, try to cross the boundaries between criminal cases and civil cases so that the impact on families can be taken into account and there can be no loss of information, for instance, between the civil and criminal courts from an unnecessary separation. The question was whether I am content. I would not say that I am content, but we are taking strong steps in the direction of ensuring that children's interests are as protected as they can be.

Serious Fraud

5. **Mr. David Amess** (Southend, West) (Con): What steps the Government plan to take to increase the effectiveness of their efforts in the detection and prosecution of people who have committed serious fraud; and if she will make a statement. [225238]

The Solicitor-General (Vera Baird): The National Fraud Strategic Authority was established on 1 October as an executive agency of the Attorney-General's office. It will lead on the development and delivery of the UK's first national fraud strategy, which will co-ordinate the national effort to combat fraud. The Serious Fraud Office is developing stronger structures to enhance its ability to prosecute. Today, there is a very positive report from the CPS inspectorate about the fraud prosecution service in the CPS. It has an 85 per cent. conviction rate and very strong casework, and it is very highly regarded.

Mr. Amess: Notwithstanding what the Solicitor-General has just said, following the departure at the start of the summer of director Robert Wardle, I understand that more than a third of senior management at the Serious Fraud Office have left. The general public know that a huge amount of public money has been spent on trials with no outcome at all. Is the Solicitor-General really happy with what is going on in her Department? Will she reassure everyone that the money being spent is well spent, and that the Government are serious in combating serious fraud?

The Solicitor-General: It would be very hard not to convince the public that we are serious in combating serious fraud, given that we have just done a review of it, and streamlined legislation dealing with offending. We have a new specialist unit in the Crown Prosecution Service since the failure over the Jubilee line case, and we have what I can only describe—quite contrary to the way in which the hon. Gentleman puts it—as a strengthened Serious Fraud Office. I had the opportunity to talk to its new director last night. He is moving the structures forward and he intends to put victims at the heart of his business, be they City companies or individuals. The proposal is that about a third of staff will investigate and prosecute company fraud, a third will attend to overseas corruption and bribery, and the final third will deal with the most serious and complex individual and commercial frauds. He is very confident that the changes he has made will be beneficial.

David Howarth (Cambridge) (LD): Another part of the picture on the effectiveness of efforts to deal with serious fraud is the SFO's reputation for independence and objectivity—a reputation that will be of immense importance in coming months because of the current financial turmoil, which is sure to lead to accusations of wrongdoing at some point. May I ask the Solicitor-General to reconsider the provisions in the Constitutional Renewal Bill that allow the situation to continue where there can be political interference in SFO investigations on the ground of national security, as defined solely by politicians? As we saw in the BAE case, national security is the politician's flexible friend.

The Solicitor-General: The hon. Gentleman, like some other Members in his party, simply never learns—going on and on and on about the BAE case. We are investigating BAE, with a view to prosecution, in a number of areas. I remind him of what the House of Lords said in its judgment about BAE. The decision that the director of the SFO, and no one else, took not to continue with the prosecution, which the hon. Gentleman simply cannot get off his mind—he must have it under his pillow every night—is that the director was not only "lawfully entitled" to make that decision, but that it could

"be doubted whether a responsible decision-maker could, on the facts before the Director, have decided otherwise."

Is it not time that the Liberal Democrats grew out of this?

Prostitution

6. **Dr. Phyllis Starkey** (Milton Keynes, South-West) (Lab): What recent discussions she has had with Ministerial colleagues on the review of measures to reduce demand for prostitution. [225239]

The Solicitor-General (Vera Baird): I have discussed with ministerial colleagues a number of measures to address the problem of prostitution, arising mostly from the review of demand that the Government have just completed. A number were announced by the Home Secretary in Manchester recently. They include: tightening legislation on kerb-crawling, new powers to close down brothels, greater restrictions on lap-dancing clubs and a new offence of paying for sex with someone who is controlled for another's gain. The full results of the review should be available later this autumn.

Dr. Starkey: I welcome the fact that lap-dancing establishments are included within those considerations, because it seems to me that the boundary between prostitution, massage parlours, escort agencies and lap-dancing is pretty unclear, and all of them encourage an unhealthy objectification of women. May I ask the Solicitor-General to ensure that local authorities are well aware of the powers that they now have to license and regulate lap-dancing clubs, and that they act effectively to clean up this area?

The Solicitor-General: I fully echo all that my hon. Friend says about the objectification of women and the damaging assault on the bid for equality that sexual objectification makes. It is deplorable. Local authorities have powers but we intend to give them and local communities greater and better powers to control the opening and regulation of lap-dancing clubs. We will consult stakeholders about the best way forward. My hon. Friend the Member for City of Durham (Dr. Blackman-Woods) made some proposals in a recent Bill, but as soon as we have consulted stakeholders, we will pass the measures as quickly as we can.

Mr. Dominic Grieve (Beaconsfield) (Con): I welcome the Solicitor-General's comments on the review that the Government are carrying out, but she may also agree that supply and demand are intricately linked. In that context, the convictions for human trafficking—one of the major sources of supply for prostitution in this country—is not good: 232 arrests, but only 134 charges, and about 70 cases leading to conviction. Can the Solicitor-General help the House to understand where the problem lies? Is it in the prosecution process for securing the convictions or in the link between the Crown Prosecution Service and the police? Where are the difficulties and what can be done to tackle them?

The Solicitor-General: I take the hon. and learned Gentleman's point about the link between demand and supply. The number of prosecutions for trafficking offences is increasing exponentially, although I take his point about that. They have quadrupled since 2005 and he should recall that many sorts of offences are prosecuted—not necessarily only those under trafficking legislation—when a trafficking situation is found. They include false imprisonment, rape, kidnapping and threats to kill, and do not show up in the records as pure trafficking convictions.

We are concentrating on demand because it is clear that 58 per cent. of the population would ban prostitution entirely and make it an offence, if they were satisfied—as I am—that it encourages trafficking. We will look closely at bringing into force deterrent legislation to try to cut demand.

WOMEN AND EQUALITY

The Minister for Women and Equality was asked—

Rape Crisis Centres

9. **Mrs. Maria Miller** (Basingstoke) (Con): What proportion of the £1 million emergency fund for rape crisis centres, announced in March, has been distributed. [225242]

The Minister for Women and Equality (Ms Harriet Harman): The Government continue to step up action to tackle the menace of rape and bring offenders to justice. It is particularly important that we support victims of rape, and that is why we set up the special fund for rape crisis centres in March. Eight centres have applied so far and all received the full amount that they requested, totalling just over £175,000. We are doing a second round of grants: there have been 21 applications and decisions will be announced shortly.

Mrs. Miller: I thank the Minister for that reply. There has been much uncertainty about the funding of rape crisis centres since July and that does little to help them provide the service that rape victims deserve. What plans has the Minister for a more stable and long-term approach to funding rape crisis centres so that we can have more stability in that important service?

Ms Harman: As I have just said, a further round of grants will be made to local rape crisis centres. That will help them as they apply for further finances locally. In addition, the Home Secretary has announced £1.6 million in funding for new and existing sexual assault referral centres. The new funding will go towards building 10 new sexual assault referral centres and providing additional resources for the 22 existing sexual assault referral centres. We want a SARC in every area. Also, the victims fund has given money to organisations that are members of the umbrella organisation, the Survivors Trust.

I have asked the House to recognise that we have made progress. There has been a 45 per cent. increase in the number of men convicted of rape since 1997. That is the result of a combination of better support for victims, better support for witnesses in court, a change in the substantive law, specialist teams of expert, trained prosecutors and excellent police work. I pay tribute to all those who are involved in supporting victims of rape and bringing the perpetrators to justice.

Mrs. Theresa May (Maidenhead) (Con): May I begin by welcoming the hon. Member for Liverpool, Garston (Maria Eagle) to her new role in what I am sure she will find a very worthwhile area of work?

The emergency fund for rape crisis centres was welcomed by all, yet seven months on, less than 20 per cent. of the fund has been distributed to front-line services, and centres are suffering as a result. The Minister has just referred to a further round of funding, but that may be too late for some centres. For example, funding for Barnsley's sexual abuse and rape crisis helpline ends this month, and without emergency funds the helpline might not be able to continue. It filled in all the paperwork at the beginning of September, but is still waiting for a decision. The emergency fund was supposed to provide reassurance for rape crisis centres, not add to their uncertainty, so will the right hon. and learned Lady ensure that the funding reaches those centres that urgently need it, to keep such vital services open?

Ms Harman: We are of course determined to keep vital services open. That is why we set up the emergency fund, and I thank the right hon. Lady for her welcome for that. She will have noticed from my earlier comments that every single one of the rape crisis centres that applied to that fund was a given a grant of the full amount for which it applied. We have made absolutely sure that those who fear that the future of their rape crisis centre is in jeopardy have been invited to apply—indeed, all are invited to apply—and that they are able to receive full funding. There is more funding in the pipeline through the emergency fund, but there is also further support that comes from the victims fund set up by the Ministry of Justice.

David Howarth (Cambridge) (LD): Of course the £1 million of emergency funding was welcome, but my impression from talking to the rape crisis centre in Cambridge is that it understands the money to be purely short-term money, which does not help to stabilise the long-term position at all. Local rape crisis centres are being given the impression that for core funding they should look solely to local government, while central Government concentrate on the sexual assault referral centres. Does the right hon. and learned Lady accept that that is not very reassuring for local rape crisis centres? Such centres provide a service that is complementary to, but different from sexual assault referral centres: they concentrate on the victims' short, medium and long-term needs, whereas sexual assault referral centres, quite rightly, have at the centre of their concerns the criminal justice process.

Ms Harman: The hon. Gentleman is absolutely right to say that we must ensure not only that we have the pioneering work on sexual assault carried out by the sexual assault referral centres, to which I pay tribute for developing and continuing such an important way of working, but that we have long-term counselling, which rape crisis centres add in to the support for victims of rape at the local level. There are a number of sources of finance for rape crisis centres, but because there was a problem earlier in the year, we set up the emergency fund.

We have done a great deal over the past 11 years to recognise the problems in the criminal justice system for victims of rape. We have made changes in the substantive law and supported changes in the way the police, the Crown Prosecution Service and the judiciary work. I pay tribute to the work that my hon. and learned Friend the Solicitor-General has done in leading a review of the substantive law. We will leave no stone unturned in ensuring that we protect people from that crime and bring perpetrators to justice.

Equality Bill (Wales)

10. **Julie Morgan** (Cardiff, North) (Lab): What recent discussions she has had with Welsh organisations about proposals for an equality Bill. [225243]

The Parliamentary Secretary, Government Equalities Office (Maria Eagle): An event to launch the consultation on proposals for the equality Bill was held in Cardiff in June last year. There have been regular discussions between Government Equalities Office officials and their counterparts in the Wales Office and the Welsh Assembly. My predecessor, my hon. Friend the Member for Stevenage (Barbara Follett), wrote to the Welsh Assembly Government about the equality Bill in June, and in November there will be a meeting with Welsh organisations in Cardiff.

Julie Morgan: I thank my hon. Friend for that reply and welcome her warmly to her new post. I was pleased to visit the Women's Turnaround project in Cardiff with her in the summer. In her discussions about the equality Bill in Wales, will she ensure that she involves criminal justice organisations, so that issues relating to women victims and women offenders, such as the harsher sentences that women receive in the courts, can be discussed?

Maria Eagle: I begin by thanking my hon. Friend and the right hon. Member for Maidenhead (Mrs. May) for welcoming me. This is not quite the first time that I have worked on equalities issues as a Minister. I spent four years as Minister for disabled people and took the Disability Discrimination Act 2005 through the House, so I feel as though I am returning to an area in which I have worked before, to see what progress has been made and what more can be done.

To answer my hon. Friend's substantive question, if we are to make progress, it is vital to involve the criminal justice agencies and the system as a whole in the equality Bill's provisions. The public sector duty for which the Bill will legislate will help in that respect. I hope that my joint responsibilities with the Ministry of Justice—I am still in charge of implementing the Corston agenda and ensuring that women are not disadvantaged by the way in which the system of criminal justice, particularly prisons and custody, applies to them—will also be helpful.

Hywel Williams (Caernarfon) (PC): Will the Minister be meeting representatives of the Welsh Language Board, which has a particular function of promoting the equality of the Welsh language, and Alun Ffred Jones, the Welsh Assembly Minister who is currently preparing the legislative competence order on the Welsh language? That will have profound implications for the equality debate in Wales.

Maria Eagle: I am always happy to meet anyone who is interested in equality, even the hon. Gentleman, so I am happy to take up his suggestion. I must make the point, however, that language is not at present included as a protected characteristic in any EU or domestic discrimination law. I understand that some people think

that it ought to be, but that would present significant policy implications. That is true not only of Welsh, of course; many other minority languages are spoken in Britain, including visual, gestural languages—the sign languages. Minority languages have some protection under the Council of Europe minority language charter, but sign languages do not. The hon. Gentleman is raising large policy issues, which I am of course happy to discuss further.

Equal Pay (Part-time Workers)

11. **Mrs. Linda Riordan** (Halifax) (Lab/Co-op): What recent steps have been taken to reduce the gap in pay between male and female part-time workers. [225244]

The Parliamentary Secretary, Government Equalities Office (Maria Eagle): The most recent step was taken last week, when the national minimum wage was increased to £5.73 an hour, which is 60 per cent. higher than when it was introduced. Two thirds of beneficiaries of the national minimum wage are women, including many who work part time.

Mrs. Riordan: I thank my hon. Friend for her reply and congratulate the Government on consistently and successfully challenging discrimination and tackling the pay gap. However, while the pay gap experienced by women continues to narrow, its underlying causes persist. Will she therefore give a commitment that the Government will implement a widespread cultural change to tackle the undervaluation of women's work?

Maria Eagle: My hon. Friend is right to note the significant progress that has been made and to highlight the fact that it remains difficult to close the gender pay gap completely and to ensure that discrimination does not affect disabled people and black people, who are significantly disadvantaged in the labour market as a result of discrimination and in other ways. She is right to say that promoting cultural change is important, but it cannot be achieved overnight. However, that is the entire purpose of the new equality Bill, which will introduce a new equality duty, end age discrimination, require transparency, extend the scope for positive action, and strengthen enforcement. All those measures, which will be dealt with in the new Bill, will enable us to take a major step forward in closing the pay gap, and I hope that we will have my hon. Friend's support.

John Bercow (Buckingham) (Con): I, too, congratulate the hon. Lady on her appointment, and I wish her well in fulfilling her responsibilities. I applaud the efforts that are being made to tackle the gender pay gap, but note that the problem remains naggingly and infuriatingly persistent. Will she tell the House why the gender pay gap among part-time employees is worse in the public sector than in the private sector?

Maria Eagle: I am not convinced that what the hon. Gentleman has just said is correct—

John Bercow: It is.

Maria Eagle: I am not convinced that it is worse in the public sector. No doubt we can compare notes outside the Chamber and resume hostilities if what he says proves to be correct.

Apart from the fact that many women are crowded into part-time occupations, which are generally lower paid, which accounts for the greater extent of the gap between part-time working, whether by men or women, and full-time male working, which is the biggest of the gender pay gaps, what the hon. Gentleman says illustrates the complexity of some of the issues. Not only discrimination, but work patterns and all sorts of other factors are involved. That is one reason why we have the national equality panel—a group of independent academics who are trying to help us to understand fully what we need to do to rid our society of those unacceptable gaps in pay based on gender.

Obviously, the hon. Gentleman has a contribution to make and his record in the House in this respect is good. I look forward to working with him across the usual boundaries to try to make a real difference to our society as a whole.

Miss Anne Begg (Aberdeen, South) (Lab): I add my welcome to those given to the Minister. Aberdeen has one of the widest gender pay gaps in the country, if not the widest. That is true of part-time and full-time work. How might the public procurement potential contained in the proposed equality Bill help to deal with that problem?

Maria Eagle: I can see why my hon. Friend is interested in the matter, given what she says about her constituency. She has highlighted an important lever that the public sector can use to lead by example. Every year, £160 billion-worth of contracts are let by the public sector, and some are let to the private sector. The equality duty will require, as the gender equality duty already requires, that goods and services are not distributed in a discriminatory fashion, so there is real potential to use public procurement to encourage the private sector to make much better progress in that respect. I hope that that is something we will look at.

LEADER OF THE HOUSE

The Leader of the House was asked—

Correspondence

19. **Andrew Selous** (South-West Bedfordshire) (Con): What guidance is in place on acceptable response times for Ministers to reply to hon. Members' letters. [225254]

The Deputy Leader of the House of Commons (Chris Bryant): The Cabinet Office produces guidance for Departments on handling correspondence from Members of Parliament, Members of the House of Lords, Members of the European Parliament and Members of devolved Assemblies. All Departments should set targets, which should not exceed 20 working days. A copy of the guidance is in the Library of the House, and earlier this morning I placed a copy on the letter board for the hon. Gentleman.

Andrew Selous: First, let me welcome the hon. Gentleman to his new post. I am aware of the guidance and I have a copy of it. As he rightly says, the figure is 20 days, but I

wrote to the Department of Health on 28 July on a serious matter with national implications for the treatment of NHS patients. Seventy-four days—10 and a half weeks—have passed and my office has chased the matter up 10 times to try to get a reply, but we have not had one. Will the hon. Gentleman help me to get a reply and will he remind all Ministers that replying to Members' letters is not just something that they should get round to, but a constitutional duty to perform out of respect for our constituents?

Chris Bryant: I am grateful for the hon. Gentleman's kind comment at the beginning of his remarks. What he describes is clearly not acceptable, and I shall ensure that he gets an answer as soon as possible. The guidance is extremely clear:

"Departments must ensure that:

(i) all replies to letters from MPs are of the highest quality—accurate, clear and helpful.

(ii) every effort is made to reply promptly and in line with departments' own published standards for answering ministerial correspondence."

While 204,925 letters a year are answered by Ministers, the Department of Health is one of the better-performing Departments, with 92 per cent. of letters responded to in time.

Mr. Paul Goodman (Wycombe) (Con): On 22 January, I wrote to the Department for Business, Enterprise and Regulatory Reform on behalf of my constituent, George Young. My office chased the letter up four times, and I finally received a reply on 8 September. I welcome the Minister to his new post, but will he encourage the Secretary of State for Business, Enterprise and Regulatory Reform to send one of his minions to the Dispatch Box to make a statement confirming that that delay and others like it are completely unacceptable, and that the Department will remove its collective finger from wherever it may happen to have inserted it?

Chris Bryant: The hon. Gentleman tempts me, but I will not go down that route. It is clear that hon. Members must have swift answers. Those who are elected to the House should get swift and substantive answers to the questions that they ask on their own behalf or on behalf of their constituents. Previous Leaders and Deputy Leaders of the House have made it absolutely clear that we intend to pursue this matter to ensure that Members get replies as swiftly as possible. That is as true for the Department that the hon. Gentleman mentioned as for any other. When there are pinch points, I would be grateful if hon. Members mentioned them to me so that we can sort them out and ensure that all hon. Members get swift replies.

Public Bill Committees (Evidence)

20. **Michael Fabricant** (Lichfield) (Con): What assessment she has made of the effectiveness of Public Bill Committees in taking oral and written evidence. [225255]

The Deputy Leader of the House of Commons (Chris Bryant): We have made an assessment of the effectiveness of the new system of Public Bill Committees taking oral and written evidence, which seems to be working well.

Michael Fabricant: I have pleasure in agreeing with the Minister, and I too congratulate him on his appointment. We have known each other for a long time—in the Culture, Media and Sport Committee on which we both served, I hasten to add. But does he accept that while the innovation is to be applauded and welcomed, it can only be acceptable if there is sufficient time to take evidence? Often, such Committees have insufficient time and the people whom Members want to interview are unavailable. What can we do to extend the amount of interview time?

Chris Bryant: I am grateful to the hon. Gentleman for his kind comments. I think that I speak on behalf of the whole House when I say that we are delighted that the Colombian police have released him so that he can be with us today.

I accept the hon. Gentleman's point. The system is new. Clearly, it is considerably better that Committees are able to take written and oral evidence, and it is entirely up to Committees whether they choose to do so. In the past year, most Committees that have had the opportunity to take such evidence have done so if pre-legislative scrutiny has not already taken place. In the Health and Social Care Public Bill Committee, the hon. Member for Eddisbury (Mr. O'Brien) made it clear that he was extremely happy with the amount of time and the organisation of the witnesses provided. Likewise, in the Education and Skills Public Bill Committee, the hon. Member for Bognor Regis and Littlehampton (Mr. Gibb) was absolutely delighted with the consensus on the programme motion. Perhaps we need to consider some points, but I think that the system is working well.

Written Ministerial Replies

21. **Mr. Mark Harper** (Forest of Dean) (Con): What recent steps she has taken to encourage Ministers to provide timely substantive responses to questions for written answer. [225256]

23. **Mr. Henry Bellingham** (North-West Norfolk) (Con): What steps she has taken to encourage Ministers to provide timely substantive responses to questions for written answer. [225259]

The Deputy Leader of the House of Commons (Chris Bryant): Successive Leaders and Deputy Leaders of the House have made it a priority to oversee the effective operation of the questions process and to ensure that Ministers and Departments are fully aware of their obligations to the House. Inquiries are made of particular Departments when problems are known to have arisen, or when hon. Members make representations. Most recently, steps have been taken to follow up the pattern of the answering of written questions tabled by the hon. Gentleman in July and September.

Mr. Harper: I am grateful to the Deputy Leader of the House for that answer, and I too welcome him to his post. I acknowledge the work of the Leader of the House in chasing up Departments following my letter to her. Having said that, I am still waiting for answers to 17 questions tabled a week before the summer recess. Of the 85 named day questions that I tabled, 55 were not answered on the named day, and on average the answers were 19 days late. That is not acceptable. What will the

hon. Gentleman and the right hon. and learned Lady do to ensure that Ministers deliver on their promises to the House?

Chris Bryant: My gratitude continues, this time to the hon. Gentleman for his kind comments. He has shown the House that he is an extremely assiduous Member, including during the recess. Many members of the public might think that Members of Parliament work only when the House is sitting, but he was assiduous in tabling questions even during the bank holiday week. During the three days in September, 807 questions were tabled. That is a good innovation, but it is clear that further work is necessary to ensure that a greater number of questions are answered more swiftly and substantively. As the hon. Gentleman has taken a long-standing interest in such issues, with two debates in Westminster Hall on ministerial accountability, I am happy to take forward some of those issues jointly with him.

Mr. Bellingham: I too congratulate the hon. Gentleman. He has been an excellent Back Bencher hitherto, and I believe that he will be a friend to Back Benchers.

I have had experiences similar to those of my hon. Friend the Member for Forest of Dean (Mr. Harper). Quite often in the past I have written to Ministers but have not received replies in time, so I now table more written parliamentary questions. It really is not satisfactory for the hon. Gentleman to say that he will examine the position and try to improve it; he must take action, because otherwise Back Benchers will continue to be let down by the Government.

Chris Bryant: I think I can do no better than to repeat the invitation that I issued earlier. I understand that there are pinch points in particular Departments, and I shall be happy to work with any hon. Members to ensure that they receive swift and substantive answers.

The hon. Member for Forest of Dean described the Leader of the House as the policewoman in this context. If she is the policewoman, I am happy to be the community support officer.

Mr. Nigel Dodds (Belfast, North) (DUP): I too welcome the hon. Gentleman to his new post. Can he explain why two or three goes at a Department are so often needed for a Member to obtain an answer that could have been provided in the first instance? Can he also explain why certain Departments, particularly the Northern Ireland Office, are so reluctant to give details of meetings that Ministers have held with third parties? Although such information is widely promulgated in the press, Members of Parliament experience great difficulty in finding out directly from Departments what has been going on.

Chris Bryant: I will look into the second point that the hon. Gentleman raised. Perhaps if we have a conversation outside the Chamber, he could explain more fully the sort of issue that worries him.

It is true that written parliamentary questions are an important part of holding the Government to account and of holding to account other organisations that are accountable to the Government. It is also true that the number of tabled written questions has risen dramatically, from 46 a day in the 1960s to 139 a day in the 1980s, and to 439 a day this year. I welcome that—I do not decry it—but obviously, as the hon. Gentleman has pointed out, if that is because Members have to ask the same question three times, Ministers may sometimes be making a rod for their own back. It would be better to sort the matter out promptly on the first occasion, rather than make Members return to it again and again.

Mr. Shailesh Vara (North-West Cambridgeshire) (Con): May I add my congratulations to the hon. Gentleman on his promotion? He will be the fourth Deputy Leader of the House with whom I have worked.

Last year when Parliament prorogued, 263 written parliamentary questions remained unanswered, 23 of them for more than three months. Notwithstanding what the Deputy Leader of the House said earlier, will he or the Leader of the House undertake to prevail on their ministerial colleagues to ensure that this year they do not hide behind the veil of a prorogation, and that they give proper replies, even if the replies are inconvenient to the Government?

Chris Bryant: I do not think it is a question of convenience. The simple fact is that the Leader of the House and I are determined to deliver swift and substantive answers to hon. Members as soon as possible. However, I will look specifically into what happened before prorogation last year so that, as far as is humanly possible, we can ensure that it does not happen again.

Incidentally, I remember going to one of the hon. Gentleman's local churches when I was youth chaplain for the Peterborough diocese. The hymn that was played was "One More Step Along the Road I Go".

HOUSE OF COMMONS COMMISSION

The hon. Member for North Devon, representing the House of Commons Commission, was asked—

Bottled Water

22. **Linda Gilroy** (Plymouth, Sutton) (Lab/Co-op): How many bottles of House of Commons (a) sparkling and (b) still water were supplied for use by Committee members during meetings of Committees of the House in each of the last three years. [225258]

Nick Harvey (North Devon): In 2007-08, some 10,000 bottles of sparkling water and 11,400 bottles of still water were supplied for use in Committee Rooms. That is broadly in line with the amounts supplied in the previous year, but an increase on the amounts supplied in the year before that. The Commission is well aware of the concern about the matter, and the Department of Facilities is exploring other options.

Linda Gilroy: I thank the hon. Gentleman for his response. He has good environmental credentials and he will know that bottled water can generate emissions up to 600 times greater than those from tap water. It is particularly embarrassing when representatives of the water industry attend meetings of the all-party parliamentary group on water. There is perfectly good

water in our taps. May I encourage the hon. Gentleman to do all he can to make tap water available at our meetings, where the work can be very thirst-making?

Nick Harvey: The hon. Lady may know from previous exchanges on this matter that I have a lot sympathy with what she says. The Administration Committee looked at the issue in April and decided at that stage to make no change, but as I have mentioned, the Department of Facilities is looking at other options and this will provide another opportunity for the matter to be considered. I urge the hon. Lady and anyone of the same view to lobby the Administration Committee when the time comes for it to look into the matter again.

Mr. Andrew Mackay (Bracknell) (Con): Although I am pleased that the hon. Gentleman is sympathetic, it was several months ago when he said in response to a question from me that other options were being looked at. The wheels are turning very slowly on this serious matter. Out in the real world people are turning from bottled water for environmental reasons, but we do not seem to be able to do the same. Can we speed up the process?

Nick Harvey: I take the right hon. Gentleman's point, and I will do what I can to push the process along.

LEADER OF THE HOUSE

The Leader of the House was asked—

Ministerial Accountability

24. **David Taylor** (North-West Leicestershire) (Lab/Co-op): What recent discussions she has had on the means by which hon. Members can hold to account Secretaries of State who are not Members of the House of Commons; and if she will make a statement. [225260]

The Leader of the House of Commons (Ms Harriet Harman): Secretaries of State are answerable to Members of the House in which they sit. Additionally, they respond to requests by Select Committees.

David Taylor: Unlike his Cabinet colleagues, the future Lord Mandelson will not be spending his weekends meeting constituents, undertaking casework and justifying policy to party members. In short, he has no mandate and will be directly accountable neither to the electorate nor to this House. To bridge that democratic deficit, does my right hon. and learned Friend the Leader of the House agree that he should be requested and required to attend departmental questions and to make ministerial statements from the green Benches of this place and not the purple settees of GMTV?

Ms Harman: The Minister of State, Department for Business, Enterprise and Regulatory Reform, my hon. Friend the Member for Wolverhampton, South-East (Mr. McFadden), will be accountable for the Department's work in this House. The Secretary of State will be accountable for his Department's work to the House of Lords. No doubt, written and oral statements will be made where appropriate, and that Department will be fully accountable to both Houses for its work.

Sir Patrick Cormack (South Staffordshire) (Con): Is the Leader of the House aware that many of us are entirely content that "Lord Guacamole" should answer in the other House?

Ms Harman: I thank the hon. Gentleman for that point. He will, of course, be aware that accountability of all Ministers to the House in which they sit is important, but Cabinet appointments are not a matter for this House; they are a matter for the Prime Minister, as I know the hon. Gentleman understands.

Business of the House

11.32 am

Mrs. Theresa May (Maidenhead) (Con): May I ask the Leader of the House to give us the forthcoming business?

The Leader of the House of Commons (Ms Harriet Harman): The business next week will be as follows:

MONDAY 13 OCTOBER—A general debate on promoting democracy and human rights.

TUESDAY 14 OCTOBER—Second Reading of the Banking Bill.

WEDNESDAY 15 OCTOBER—Consideration of a supplementary estimate relating to HM Treasury, followed by proceedings on the Consolidated Fund (Appropriation) (No. 3) Bill, followed by a general debate on local government delivering for local people.

THURSDAY 16 OCTOBER—Topical debate: subject to be announced, followed by a general debate on access to primary care.

FRIDAY 17 OCTOBER—Private Members' Bills.

The provisional business for the week commencing 20 October will include:

MONDAY 20 OCTOBER—Second Reading of the Political Parties and Elections Bill.

TUESDAY 21 OCTOBER—Opposition Day [19th allotted day]. There will be a debate on an Opposition motion. Subject to be announced.

WEDNESDAY 22 OCTOBER—Remaining stages of the Human Fertilisation and Embryology Bill [*Lords*].

THURSDAY 23 OCTOBER—Topical debate: subject to be announced, followed by motion to take note of the outstanding reports of the Public Accounts Committee to which the Government have replied. Details will be given in the *Official Report*.

The information is as follows: The 5th, the 8th, the 14th to the 29th, the 31st to the 35th, the 37th, the 38th, the 42nd and the 50th Reports and the 1st and 2nd Special Reports of the Committee of Public Accounts of Sessions 2007-08, and of the Treasury Minutes on these Reports (Cm 7366 and 7453).

Mrs. Theresa May (Maidenhead) (Con): I thank the Leader of the House for her business statement. All Conservative Members welcomed the Chancellor's statement yesterday, and both my right hon. Friend the Member for Witney (Mr. Cameron) and my hon. Friend the Member for Tatton (Mr. Osborne) have made clear our commitment to work with the Government through these difficult times. Next week, as she has just announced, we will debate the banking reform Bill, which includes changes to the powers of the Bank of England. Obviously, I welcome today's topical debate on financial stability, but the general public will rightly expect Parliament to spend more than an hour and a half debating the financial crisis. Will the Leader of the House therefore change next week's business to provide for a full debate on the financial crisis?

One group of people particularly hard hit by the ups and downs of the stock markets are those who, at age 75, are obliged to take out an annuity. Given the current economic conditions, we think it important that people should have the freedom to choose to delay buying their annuity. My hon. Friend the shadow Secretary of State for Work and Pensions has today written to the Secretary of State for Work and Pensions asking him to put a temporary moratorium on this rule, and offering to work together on this. Can the Leader of the House confirm that the Government will indeed consider this, so that these people are not unduly penalised by circumstances completely out of their control?

In recent days, our attention has obviously been focused on the financial markets, but there are problems lying ahead for everyone. The International Monetary Fund said yesterday that the world was entering a major downturn, with Europe and the US either already in, or on the brink of, recession. It predicts that the UK economy will contract by 0.1 per cent. next year. These conditions will of course require the Chancellor to revise his economic forecasts, which makes his autumn statement even more significant than usual. Will the Leader of the House therefore now give us the date for the Chancellor's pre-Budget Report?

Earlier this week *The Times* reported that the Government plan to drop their unpopular proposal to hold terror suspects for 42 days without charge because it is widely expected that the measure will be resoundingly defeated in the House of Lords next Monday. Can the Leader of the House confirm that the report in *The Times* was accurate, or, if not, when we should expect to debate the measure again in this House?

Finally, I turn to two, more parochial House points. I welcome the right hon. and learned Lady's written statement this morning extending the consultation period on her proposals regarding the audit and assurance of MPs' allowances—something that I suggested to her over the recess. Can she tell us how many responses she has received so far, and will she confirm that she will not hold any further such consultations over a recess? Can she also confirm that the chairmanship of Select Committees is a matter for the decision of those Committees? If so, will she explain why, over the recess, the hon. Member for Gloucester (Mr. Dhanda) was reportedly offered the chairmanship of the south-west regional committee—a committee that has not even been established by this House, let alone had decisions made on its membership? The right hon. and learned Lady has already suspended Standing Orders once to parachute in the Government's choice to the chairmanship of the Home Affairs Select Committee. Will she now guarantee this will not happen again, and that from now on she will stand up for the independence of Select Committees and the rights of this House?

Ms Harman: The right hon. Lady is right in saying that the chairmanship of a Select Committee is a matter for the members of the relevant Committee.

The consultation paper on the audit and assurance of Members' allowances was issued late on—at the end of July or even early August—and because the consultation was under way during the recess, and because a very small number of colleagues have responded, we have accepted the right hon. Lady's suggestion that we extend the consultation period. Work is already under way, following the resolutions of this House—including the abolition of the John Lewis list, among a number of measures—to improve the audit and assurance of Members'

[Ms Harman]

allowances, but further steps need consideration. We want the full involvement of Members in this, to make absolutely sure that they have the resources they need to do their work, and to ensure that the public have full confidence that public money is being properly spent.

The right hon. Lady asked about the Counter-Terrorism Bill. She will be aware that, following debate and discussion in this House and the House having formed its view, the Bill is now under consideration in the House of Lords. Following their lordships' consideration of it, it will be dealt with in the usual way and will return to this House.

The right hon. Lady asked whether I could give the House the date of the pre-Budget report. I will announce that in due course in the normal way. She also raised the issue of how this House makes sure that we have proper debates on the very important issue of the moment—the stability of the economy. As she said, the Chancellor made a statement yesterday; the Conservatives chose the economy as the subject of their Opposition day debate on Tuesday; and we have arranged a further debate in this House, to be led by the Financial Secretary to the Treasury this afternoon. We can all be clear that we agree on two things. First, when there is a matter of such national importance as this, it is right that the Government involve the Opposition and that we all work together on the issue. Secondly, if legislation is needed, consultation should take place, the terms of it should be respected and the House should be able to legislate on the matters promptly—that is very important. I know that all hon. Members will bear with us if we need to change the business of the House to accommodate important legislation on economic matters.

We also all agree that there must be adequate time to debate these important issues, because this is not just a question of the problem in the financial services industry and the banking sector; these problems affect homebuyers, small businesses, depositors and those buying annuities, to whom the right hon. Lady referred, all of whom are at the top of our concerns. We want to ensure that these important issues are fully debated in this House and that Ministers are fully accountable to this House.

Simon Hughes (North Southwark and Bermondsey) (LD): First, may I ask the Leader of the House to pass on our thanks to her colleague, the hon. Member for Bishop Auckland (Helen Goodman), for her helpfulness when she was Deputy Leader of the House, and to welcome her new Deputy Leader of the House to his position?

In the spirit of co-operation in trying to maximise the opportunity for Parliament urgently to debate matters relating to the national and global financial crisis, which clearly are of huge concern outside this building, may I clarify one thing and ask two questions about the business that the Leader of the House has announced? She announced a debate next week on local government. We have read and heard reports that significant numbers of local councils had invested public money in Icelandic banks that have gone bust. I gather that the figure involved may be up to £500 million and that more than 20 local councils may be involved, as well as police authorities and transport authorities. Will she ensure, before the debate on Wednesday, that Ministers responsible for local government give an indication—it might be better if it were an indication, rather than a final view—of what the Government propose to do to assist local councils? Many councils are already cutting local services, including social services, and, whatever their party affiliation, they want to ensure that further cuts do not have to be made as a result of the present crisis.

Secondly, the Leader of the House rightly mentioned the concerns of small business about the present financial position. Small business organisations have made it clear that they are still receiving letters from banks offering loans at rates of 15 per cent. The majority of the British work force works in small businesses, rather than in big businesses, so can she see whether we can have a debate in this place with the new team at the Department for Business, Enterprise and Regulatory Reform—with or without the Secretary of State—on what can be done to ensure that huge numbers of small businesses do not go under in the days immediately following the events of the past two weeks?

Thirdly, the Leader of the House knows as well as I do that in boroughs such as ours, and probably in every local authority in the country, affordable housing is one of the most urgent needs. Local authorities and housing associations will clearly be in greater difficulty borrowing money to build the programmes to which they have already committed themselves or that they wanted to build. May we have a debate on how to ensure that the plans of the Government, of London government, of London councils and of all local authorities can be implemented, because loads of people are desperately waiting for the housing that they need?

Lastly, on an in-House matter, I persistently asked before the summer that we ensure that we have time on Report on Government Bills to debate Opposition and Government Back Bencher amendments and new clauses. We know of six Government Bills that are in the pipeline between now and the end of term, including the Human Fertilisation and Embryology Bill. Given that, even yesterday, some amendments and new clauses could not be debated for lack of time—such as the important issue of whether smacking should be allowed—can we please ensure that Parliament can do its job properly and debate the issues that colleagues from all parties put on the agenda, instead of having debate closed down by Government guillotines?

Ms Harman: I thank the hon. Gentleman for his comments in appreciation of the excellent work of the former Deputy Leader of the House, my hon. Friend the Member for Bishop Auckland (Helen Goodman), and I pay tribute to her. I also join hon. Members in welcoming her excellent successor, my hon. Friend the Member for Rhondda (Chris Bryant).

It is important for the hon. Gentleman to remember that the resources that have been going into local government from central Government have increased year on year. He is right to say that local government services are very important, and we want to ensure that they are protected. There will be an opportunity for hon. Members to ask the Financial Secretary to the Treasury questions about local government deposits this afternoon in the topical debate.

The hon. Gentleman mentions the important issue of the effect of the financial and banking crisis on the work of small businesses. We all agree that small businesses

are critical to the economy and to employment prospects, and they need an effective banking system to survive and prosper. It is important that work is undertaken at European level, through the European Investment Bank; at national level, through the actions of the Treasury and other Departments; and at regional level. Small businesses are the focus of the Government's concern, and we will take all steps necessary to ensure that they can continue their important work.

The hon. Gentleman also mentioned the Human Fertilisation and Embryology Bill. I remind the House that we have already had 81 hours of debate across the two Houses on that Bill, so we have sought to make adequate time available to debate that important issue. Additionally, there have been two full days of debate on the Floor of the House, followed by a free vote on those issues of conscience. When the Bill comes back to this House, we will have further opportunity for debate.

The hon. Gentleman raised an important point about housing. The plans are important not only to increase the supply of housing, but because they touch on the question of public sector investment in infrastructure, whether in transport, industry, housing or even people's skills. The Government have two obligations. First, we must see the country through this immediate crisis, ensuring that we give most support to those who are most directly affected and those who are most vulnerable. Secondly, we must not do anything to undermine the strengthening of the economy in the future. The forecast is that, once we have got through the present difficult circumstances, the economy has bright prospects for the future. For that reason, we do not want to cut infrastructure projects that need further investment, and that is why the Chancellor has announced that he believes that it is sensible to allow borrowing to rise to find our way through the crisis and to sustain investment for the future.

Several hon. Members *rose—*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I seek the co-operation of hon. Members. There is heavy demand to participate in the two time-limited debates that follow business questions. I cannot promise to call every hon. Member who wishes to put a question to the Leader of the House, but we will make more progress if we have one question per Member, especially if it relates to next week's business. I am sure that the Leader of the House will also give as concise answers as she can.

Mr. Parmjit Dhanda (Gloucester) (Lab): First, may I say to the right hon. Member for Maidenhead (Mrs. May) that she should not believe everything she reads in the papers? I, too, express my good wishes to my hon. Friend the Member for Rhondda (Chris Bryant) on his appointment, which is richly deserved.

May I tell my right hon. and learned Friend the Leader of the House that I am pleased to see how much time is being allocated to discuss the financial crisis? She will be well aware that Labour Members and Opposition Members are particularly concerned about the important merger between HBOS and Lloyds TSB. A lot of concern has already been expressed by Front and Back Benchers about jobs in Yorkshire and in Scotland. May I add to that my concern—

Mr. Deputy Speaker: Order. I did ask for brief questions and the hon. Gentleman has done pretty well. I heard three, if not four, points there.

Ms Harman: I thank my hon. Friend for his question and I know that he is assiduous in his attention to his constituents—those whose jobs are affected by the crisis, depositors who are concerned about whether their deposits will be assured, and shareholders. I know that he will continue to play an important part in future debates and we will ensure that those debates are available to the House.

Sir George Young (North-West Hampshire) (Con): Last year, the pre-Budget report was published on 9 October—today's date. It is disappointing that the Leader of the House was unable to give any indication of when it might be published this year. Last year, inexcusably, the Government gave the House no time whatsoever to debate the pre-Budget report. In view of its importance this year, will the Leader of the House guarantee time to debate it?

Ms Harman: Consideration has been given to how we allocate days for debate following the Queen's Speech and the Budget and, as the right hon. Gentleman said, to the opportunities for a full-day debate following the pre-Budget report. He will find that there will be ample time to debate all the issues and I shall make the announcement about the date of the pre-Budget report in the normal way.

Mr. Chris Mullin (Sunderland, South) (Lab): Given all that went on during the summer recess—the war between Russia and Georgia and the crisis in the global financial markets—will my right hon. and learned Friend consider bringing Parliament back for two weeks in September on a permanent basis, as we once agreed to do? We quietly reneged on that agreement when the public attention was off us. Would that not enhance the esteem in which we are held, as well as the democratic process?

Ms Harman: My hon. Friend is consistent—I will say that—in raising that point. The Chancellor has made a statement on the financial markets since the House returned. My hon. Friend will know that next Monday, as I just have announced, there will be an opportunity, led by my right hon. Friend the Minister for Europe, to debate democracy and human rights. It will be an opportunity for Members to debate the things that have happened in Georgia over the summer.

Mr. Douglas Hogg (Sleaford and North Hykeham) (Con): Does the right hon. and learned Lady agree that one of the historic and most important functions of this House is to control supply? That being so, will she ensure that yesterday's proposals are enshrined either in primary legislation or, alternatively, in amendable resolutions of this House, so that we can change them if we do not agree or reject them if we think that they are entirely wrong?

Ms Harman: When the Government seek to take action that requires primary legislation, we will come before the House. If secondary legislation is required, there are procedures for that. If action does not require

[Ms Harman]

either secondary or primary legislation, the information will be given to the House by way of written or oral statements or will be supplied in debates. There will be an opportunity for the House to hold Ministers to account for all the actions that they take.

Miss Anne Begg (Aberdeen, South) (Lab): In the summer recess, two schoolchildren in Aberdeenshire were killed when they got off their school bus. The Yellow School Bus Commission, which was chaired by my right hon. Friend the Member for Sheffield, Brightside (Mr. Blunkett), also published its report. The commission took evidence in Aberdeen from Robert Gordon's school, which uses yellow buses. I understand that the right hon. Member for Gordon (Malcolm Bruce) hopes to table a Bill later in the Session that will address some of the issues to do with school bus safety and the safety of our children travelling to and from school. Will my right hon. and learned Friend guarantee that she will give that Bill clear passage?

Ms Harman: I express my condolences to the families mentioned by my hon. Friend. I also congratulate my right hon. Friend the Member for Sheffield, Brightside (Mr. Blunkett) on his work on the Yellow School Bus Commission. These are important issues that affect congestion as well as safety, pollution and the affordability of school travel, and I will ensure that we take into account the points that my hon. Friend raises.

Mr. Henry Bellingham (North-West Norfolk) (Con): Is the Leader of the House aware that during this time of acute crisis in the banking sector, more of our constituents are moving deposits into the Post Office and into National Savings accounts? Surely, now is not the time for the Department for Work and Pensions even to consider getting rid of the Post Office card account. Will the right hon. and learned Lady guarantee today that in these tumultuous times the Post Office card account will be kept in place?

Ms Harman: As I have told the House on previous occasions, there is a procurement process and the contract, pursuant to the normal rules, is under consideration. No decision has been announced as yet.

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): Will the Leader of the House consider making room for a debate on an issue of great importance to rail travellers in Milton Keynes? London Midland appears to have taken the opportunity of "fare simplification" to increase off-peak fares by about 10 per cent. At a time when we should be encouraging people to use rail rather than the roads, that seems highly unfortunate and worthy of a debate in this House.

Ms Harman: I shall take that as a useful suggestion for a topical debate. Perhaps we could discuss investment in rail as well as fare prices for passengers and freight.

Mr. Andrew Mackay (Bracknell) (Con): With the best will in the world, surely the Leader of the House must realise that the public will think that it is totally inadequate that on most days next week we will not be discussing the economic crisis. With the problems of pensions and annuities already mentioned by my right hon. Friend the Member for Maidenhead (Mrs. May), will the Leader of the House at least assure us that she will keep matters under review and will return early next week to change the business so that we look relevant to the public? Otherwise, it will do huge damage to this House.

Ms Harman: We will debate matters touching on the economy on Tuesday and Wednesday next week, but the right hon. Gentleman does not need to wait that long. He need wait only until the end of this business, when he can raise issues in the topical debate. I assure the House that as well as ensuring that the Government's general business gets through we will bend over backwards to ensure that the House has the opportunity to debate the very important economic issues.

Mr. Ian Cawsey (Brigg and Goole) (Lab): Earlier this week, an independent report commissioned by local councillors in my area showed that the economic impact of tolls on the Humber bridge was costing the region more than £1 billion in economic activity. Given the difficulties that we are facing in our local economies, could the subject of next week's topical debate be Government initiatives that could help economic growth in areas across the whole country? Will my right hon. and learned Friend ensure that Humber bridge tolls are part of such a debate?

Ms Harman: I will consider my hon. Friend's request for a topical debate. I will also bring his point to the attention of the new Secretary of State for Transport.

Mr. Paul Burstow (Sutton and Cheam) (LD): My local authority, on a cross-party basis, is very concerned about the fate of the £5.5 million that it had deposited with a subsidiary of Landsbanki and wants to know when it will hear in the House a debate that will ensure that we can get the reassurances from Treasury Ministers that have been offered to retail depositors. There is a concern on behalf of council tax payers that the money invested in line with guidelines set by the Treasury will be lost and that as a consequence council tax will rise.

Ms Harman: As I said to other hon. Members, there will be an opportunity to raise such questions with the Financial Secretary at the end of business questions.

David Taylor (North-West Leicestershire) (Lab/Co-op): Can we find time next week for a debate on parliamentary protocol, in particular on the importance of respecting confidentiality when a bipartisan approach to a national crisis leads to off-the-record briefings by senior Opposition politicians? It was a little unseemly to see the shadow Chancellor haring round TV studios last weekend, sharing with the nation the thoughts of the Governor of the Bank of England, his new best friend.

Ms Harman: My hon. Friend makes a very important point. He reinforces the point that I made at the outset about the importance of the Government's acting decisively but, wherever possible, on a bipartisan basis. The markets are sensitive to debate and discussion and things that are said can affect people's living standards by affecting share prices and confidence, so it is very important that when any confidential discussions are entered into, that confidentiality is respected.

Mr. Peter Bone (Wellingborough) (Con): Was the Leader of the House surprised that Parliament was not recalled from recess, when we face the worst economic crisis for 100 years and are going from boom to bust? Is it not a good idea to amend Standing Order No. 13 to ensure that it is up to the Speaker whether the House is recalled in future?

Ms Harman: As the hon. Gentleman knows, the Prime Minister raised the question of the call and recall of Parliament in "The Governance of Britain", which the Modernisation Committee is due to consider shortly.

Siobhain McDonagh (Mitcham and Morden) (Lab): In June, Michelle and six-year-old Jayden had their gas cut off by Scottish Power, leaving them without cooking, heating and lighting for more than four months. Scottish Power is owned by a company that made a profit of €200 million last year, and it wants my constituent to pay £350 for extra pipe work to install a rip-off pre-charge meter. Can we have a debate in the near future to examine the social responsibility of utilities such as Scottish Power to help people such as Michelle across the country?

Ms Harman: That is an important and timely suggestion for a topical debate, and no doubt it will attract the support of many hon. Members. As the Prime Minister said yesterday at Prime Minister's questions, we must ensure that the energy companies operate fairly in respect of hard-pressed consumers at this difficult time.

Sir Patrick Cormack (South Staffordshire) (Con): Will the Leader of the House promise not to waste the time of the House by providing an opportunity to debate the ridiculous, absurd and unsustainable proposition that we should have regional Select Committees?

Ms Harman: I do not agree with the hon. Gentleman. When one thinks of the effect of the current economic climate on businesses big and small, one sees that the work of regional development agencies and of strategic regional authorities is even more important. The fact that such bodies are not properly accountable to Members of this House needs to be acted on. When the Modernisation Committee conducted an inquiry on regional Committees, there was not agreement in Committee on how they should be established, but there was full agreement that there is a need for this House better to hold to account such agencies, which are very important at the regional level. We will proceed in due course, and the hon. Gentleman will have a chance to join the debate and vote on the matter.

Mr. David Chaytor (Bury, North) (Lab): The Child Support Agency has required one of my constituents to pay several thousand pounds of arrears in 12 months. My constituent does not dispute the arrears, which he wants to pay, and he is currently looking after the children for whom the arrears were incurred. Can we debate the way in which the CSA deals with arrears at this time of economic slowdown? My concern is that those who want to face up to their responsibilities will be penalised by an excessively stringent approach to arrears as the economy slows further, while those who want to avoid their arrears will continue to do so.

Ms Harman: My hon. Friend makes an important point. First and foremost, we should examine the issue from the viewpoint of the children. It is right to expect fathers who can do so to pay a fair proportion of their income to their own children. It is therefore best if people do not get into arrears in the first place. Perhaps I can ask him to seek a meeting with the Secretary of State for Work and Pensions in respect of his individual constituent.

Mr. Nigel Dodds (Belfast, North) (DUP): The remaining stages of the Human Fertilisation and Embryology Bill are due to be taken on 22 October. Will the Leader of the House accept that that Bill is a highly inappropriate vehicle to impose a fundamental change in relation to the law on abortion in Northern Ireland? Given that the communities and all parties in Northern Ireland are united on the issue, if devolution is to mean anything, the wishes of the people of Northern Ireland should be respected in that regard.

Ms Harman: Obviously it is very important that the question of the view of the parties in Northern Ireland is taken into account, irrespective of the issue that is being raised. It is also important that the views of men and women are taken into account in all parts of the United Kingdom when services are being considered. As the hon. Gentleman said, the Human Fertilisation and Embryology Bill will come before the House next week, and no doubt he will be able to make his points in the debate.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): Can we have a debate on the long-term future of regional airports? My right hon. and learned Friend may be aware of the recent decision by British Airways to relocate its cabin crew staff from Glasgow airport and other regional airports throughout the UK, which has resulted in significant job losses. Does she agree that British Airways is hardly an appropriate brand name, when it sees regional airports as trading posts? It is happy to take the natives' money, but it will not trust the natives on its aircraft.

Ms Harman: I will raise that important point, which is also the subject of my hon. Friend's early-day motion 2208 on British Airways job losses at Glasgow airport.

[That this House expresses its concern at the continuing loss of jobs by British Airways staff at Glasgow Airport and other regional airports across the UK; notes that these job losses demonstrate a clear lack of commitment by BA to serving regional airports outside London, is not in the best interests of the travelling public, undermines the long-term security of the workforce and treats regional airports such as Glasgow as trading posts; and believes that British Airways should reconsider this decision or go the whole way and rebrand themselves London Airways.]

I will raise those important points with the Secretary of State for Transport, the Secretary of State for Business, Enterprise and Regulatory Reform and the Secretary of State for Scotland.

Mike Penning (Hemel Hempstead) (Con): The people of Hertfordshire will be surprised by the Leader of the House's decision not to call for a statement on local government finance problems due to banks crashing in

[Mike Penning]

Iceland. In Hertfordshire, £17 million is invested in those banks. That investment was made in good faith and at the Government's request, because the assets were being held. That will cause a shortfall in cash flow as well as a shortfall in next year's funding, because the interest was required to go forward. Can we have an immediate statement on how local government will survive in that situation?

Ms Harman: I have put next week's business before the House. We arranged for this week a debate on financial stability, which will take place shortly. As well as having the opportunity to speak in that debate, Members will be able to ask the Minister questions during his speech.

Dr. Brian Iddon (Bolton, South-East) (Lab): There is a requirement for utility companies to provide their customers with at least one bill every two years. Here in London my electricity provider does that, but Powergen, my electricity supplier in Bolton, rarely provides me with a bill. As a result, Powergen got me in debt to the tune of £1,000 last year. It read my meter two months ago, but no bill has followed, and several of my constituents are in debt as a result of such terrible behaviour by several power companies. I echo the request for a topical debate on the behaviour of the providers of power to our homes, which could extend to the provision of social tariffs, smart meters and feed-in tariffs.

Ms Harman: My hon. Friend makes an important point. Without pre-empting myself or anybody else with whom I might discuss the issue, I think that the question of how energy companies are operating in this difficult situation is a front-runner for next week's topical debate.

John Bercow (Buckingham) (Con): Notwithstanding what the Leader of the House has already said, may I appeal to her spirit of generosity and urge her to announce in a statement next week that there will in fact be two days, not one day, for the remaining stages of the Human Fertilisation and Embryology Bill, both because that is right in itself in view of the array of opinions on the subject and, indeed, because it would represent a display of strength and receptiveness on the part of the Government?

Ms Harman: I was just looking for information about the amount of debate that there has already been. In considering whether there will be enough debate, the House should recognise how much debate has already taken place on the Human Fertilisation and Embryology Bill. In total, the Bill has been debated on the Floor of both Houses for 81 hours, with 10 sessions in the Lords and, so far, seven in the Commons. We have already had two days on the Floor of the House discussing amendments and new clauses on the basis of free votes on conscience issues. I stand second to no one in believing that the House should debate these heartfelt issues properly, but taking a view across all the business coming through this House, I think that 81 hours probably amounts to adequate debate.

Fiona Mactaggart (Slough) (Lab): Will my right hon. and learned Friend take an early opportunity to correct a false impression created by a question asked earlier today by the hon. Member for Kettering (Mr. Hollobone)? The question implied that Commonwealth citizens resident in Britain who have limited leave to remain, such as the wives of British citizens, are not eligible to vote in elections, but they are.

Ms Harman: I think that my hon. Friend has taken this opportunity to correct the record, but perhaps I will ask the Home Secretary to write to the hon. Member for Kettering and put him straight.

Hywel Williams (Caernarfon) (PC): May we have a debate on the tagging system for prisoners who are on early release, and on the inefficiency and incompetence in a particular case in which a young man in my constituency was returned to prison for an extra three months through no fault of his own? Perhaps a debate could be held in Westminster Hall.

Ms Harman: The hon. Gentleman refers to the important issue of recall to prison for those released on licence who are subject to conditions in respect of their tag. I know that that is a very controversial issue, because obviously recall to prison is a drastic step. I suggest that, in the first instance, he raise the question with the Home Secretary.

Barry Gardiner (Brent, North) (Lab): My right hon. and learned Friend will be aware that a number of Members on both sides of the House have written to express their concern about the deterioration of the situation in Sri Lanka, and about the Sri Lankan Government's bombing of areas in the north and east of the country. I appreciate that there is a debate next week on human rights, but most Members who have written feel that that would be inadequate to deal with the subject, and that a special debate should be called for.

Ms Harman: I will take my hon. Friend's proposal as a suggestion for a topical debate, but as he anticipated, I think that there will be an opportunity to discuss the important issues relating to Sri Lanka next Monday. I know that he is very concerned about his constituents who have families in Sri Lanka, and he is assiduous in his concern for their welfare and the welfare of their relatives. However, I suggest that he try to catch the Speaker's eye in the debate on Monday.

Mr. Mark Harper (Forest of Dean) (Con): Yesterday, amidst all the financial turmoil in the markets, the Government still found time to whip their MPs—and, in a break with usual practice, even members of the Government—to ensure that they voted against my ten-minute Bill in favour of openness and transparency in the making of law. Given that, will the Leader of the House find time for a debate in the House on openness and transparency, so that we can establish once and for all whether the Government are actually in favour of it?

Ms Harman: It was this Government who introduced the Freedom of Information Act 2000, and we want to make sure that debate is full and fully informed. We will continue to be as open as possible.

Mr. Jim Devine (Livingston) (Lab): It is nearly two years since the collapse of the Farepak Christmas saving scheme. May we have a debate in Government time on the inquiry that was set up last year? It was due to report first at Christmas, then Easter, and then before the recess, but did not do so. Tens of thousands of decent, hard-working families deserve to know what happened to their money. Margaret Rettie in my constituency paid hundreds of pounds at 20 past 3 on the day on which the company collapsed; it did so at a quarter past 4. People like her deserve answers.

Ms Harman: The whole House will have every sympathy with my hon. Friend's point. We are all well aware that the people who lost money to Farepak were those who could least afford to do so. The fact that they are still waiting for the report is not acceptable. I thank him for raising the issue, as he has done consistently. We really do need to get the matter sorted out. I will work with the Deputy Leader of the House to make sure that we get some answers fast.

Mr. Alistair Carmichael (Orkney and Shetland) (LD): May we have an early statement or debate on the changes proposed by Her Majesty's Revenue and Customs to the seafarers' earnings deduction scheme? The change will affect people throughout the merchant navy, but it will have a particularly severe impact on those working in the North sea in the offshore oil and gas sector because of the proposals to backdate the changes. It is an issue on which Parliament really ought to have a voice.

Ms Harman: I understand that my right hon. Friend the Financial Secretary to the Treasury, who has just joined us in the Chamber, is looking into the issue, so perhaps in the first instance the hon. Gentleman might seek a meeting with him to discuss how far my right hon. Friend has got in progressing the matter.

Tony Baldry (Banbury) (Con): Will the right hon. and learned Lady arrange for the Secretary of State for Communities and Local Government to come to the House next week to make a statement on local government finance? The problem is not just the fact that local authorities have money frozen in Icelandic banks—in Oxfordshire, some £28 million-plus has been frozen or perhaps lost. There is another issue: many local authorities, in the course of their business, work with cash surpluses that they have to deposit. They need guidance from the Department for Communities and Local Government on what is acceptable practice, so that they can ensure that the money is protected. They would like to invest it in UK banks—they do not want to hold it themselves—but they want some safeguards and protection. It is a matter for the Department for Communities and Local Government—

Mr. Deputy Speaker: Order. I think that the hon. Gentleman has got his point across.

Ms Harman: In addition to the opportunity presented by the debate that follows this business statement, there will be a general debate next Wednesday on local government delivering for local people. All the hon. Gentleman's points can be raised and answered by Ministers in that debate.

Miss Anne McIntosh (Vale of York) (Con): Thousands of holidaymakers across the country were recently left stranded, distressed and hugely out of pocket, through no fault of their own, as a result of a number of failures on the part of airlines. In 2004 and 2006, the Select Committee on Transport made a request, which the Civil Aviation Authority supported, that an airline levy be charged covering all passengers, particularly those who book their accommodation independently. Will the Leader of the House allow a debate—possibly a topical debate—next week or the week after to enable all of us who represent those passengers to debate the issue? We could debate the review of the European package travel directive at the same time.

Ms Harman: I will raise the points that the hon. Lady has brought before the House with the new Secretary of State for Transport. We were all appalled to see what happened to those who were left stranded around the world. The Foreign and Commonwealth Office's consular offices across the world did what they could. Many people were eligible for compensation, but some who booked online, or independently, were not.

Mark Pritchard (The Wrekin) (Con): May we have an urgent debate on the future of general practitioner services? Why are the Government intent on removing the dispensing powers and services of GPs, particularly in rural areas? That will leave patients in my constituency having to travel far further to collect their medicines. Will the Government have a rethink about this?

Ms Harman: There will be a general debate on access to primary care next Thursday. I suggest that the hon. Gentleman catch the Speaker's eye in that debate and raise his constituents' concerns then. However, I remind him and the House that there has been unprecedented investment in, and improvement to, primary care services since this Government came to power and made the NHS a priority. *[Interruption.]* I hear Opposition Members say that that has been wasted. Before we came to power, many of my constituents could not even get on a GP's list, because the lists were closed. When they managed to appeal and did get on a GP's list, they sometimes found that they had to wait weeks for an appointment, and when they did get to see the GP, it was often a locum who was completely knackered. GP services have been substantially improved.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. I hope that the Leader of the House will help me to ensure that colleagues who have not yet asked a question get to speak.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): May we have a debate on the performance of the UK Border Agency? A constituent of mine who has been asked to sponsor someone from Sierra Leone has been told that he must send details of all his bank accounts and savings to Sierra Leone, so that the applicant can give them to the embassy there. Why does he have to send all his bank details abroad? Why could he not take them to someone in the UK? It is a ludicrous policy.

Ms Harman: When processing visas for entry to this country, those concerned need to be able to look at as much information as they regard necessary in each individual case. I suggest that the hon. Gentleman raise that point in writing with the Home Secretary.

James Brokenshire (Hornchurch) (Con): My local authority, the London borough of Havering, is one of the councils that has had its accounts with an Icelandic bank frozen. I heard what the Leader of the House said about the opportunities presented by the topical debate, but she will appreciate that the ability to ask questions on this specific issue will be limited. As for waiting until next Wednesday, as we see, a lot of things could happen before then. In light of comments made by a number of hon. Members, will she reconsider speaking to Ministers in the Department for Communities and Local Government, and will she encourage them to make an urgent statement on the issue on Monday, to allow detailed questioning on it?

Ms Harman: Things are getting a bit surreal: hon. Members are taking up time in asking me to find time, but I am telling them that they can put their questions to the Financial Secretary to the Treasury, who is here. I understand that he will report on meetings with the Local Government Association, so instead of asking me, why do those hon. Members not just ask him?

Mr. Philip Hollobone (Kettering) (Con): Residents in Kettering have been waiting ages for a long overdue announcement from the Department for Transport and the Highways Agency about the Government's plans to expand the A14 around Kettering. Will the Leader of the House be kind enough to urge the Department for Transport to make a statement in the House on the issue next week?

Ms Harman: I shall raise the hon. Gentleman's point with my right hon. Friend the new Secretary of State for Transport.

Julia Goldsworthy (Falmouth and Camborne) (LD): May we have a debate on the administration of the education maintenance allowance system? I have been contacted by a number of young people in my constituency who should have qualified automatically for the allowance, but have waited more than eight weeks for it to be processed. I am concerned that a number of other people across the country might be affected in a similar way. I would appreciate the opportunity for a debate with the Minister.

Ms Harman: My right hon. Friend the Secretary of State for Children, Schools and Families has already devoted a great deal of attention to that issue. The hon. Lady is right: those who are awarded the education maintenance allowance need it promptly. I shall raise her points with my right hon. Friend and see whether there can be a further written statement or other process to make sure that he is fully accountable to the House on that important issue.

Philip Davies (Shipley) (Con): When time allows, may we have a debate about the Black Police Association, a divisive organisation that is stirring up racial tensions? If there were a white police association, the Leader of the House would be first in line to be outraged about it. I cannot see the legal or moral difference between a white police association and a black one. May we have a debate on the issue? Like many other people in the country, I think that the association should be scrapped.

Ms Harman: It is very important that the Metropolitan police should command the confidence of the diverse communities in London whose security it is there to protect and whose co-operation it needs to investigate crime and prevent it from happening. Historically, black and Asian people have been under-represented in the Metropolitan police, but a great deal has been done to increase its black and Asian members. Much of that has been due to Sir Ian Blair; I pay tribute to the fact that he has made sure that more black and Asian people have been recruited to the police to ensure full public confidence.

As the hon. Gentleman may know, the Home Secretary has announced that there will be an inquiry into black and Asian recruitment, not only in the police but across the board. There is the Black Police Association but no white police association because of the under-representation of black and Asian people. That is why we back the work to increase the numbers of black and Asian members of the police service.

Several hon. Members *rose—*

Mr. Deputy Speaker: Order. I thank the House; we have got through 34 questions in 51 minutes, which shows what can be done when everyone co-operates.

TOPICAL DEBATE

Financial Stability

12.23 pm

The Financial Secretary to the Treasury (Mr. Stephen Timms): I beg to move,

That this House has considered the matter of financial stability.

The events in the USA in the past few weeks and in Europe in the past few days have demonstrated once again the global nature and sheer scale of the problems affecting the financial system. What started in America last year has now spread to every part of the world. Disruption in global financial markets has intensified, particularly over the past few weeks, and people are rightly concerned about what is happening. As well as the USA and ourselves, Ireland, Germany, the Netherlands, France, Spain, Denmark, Austria, Belgium and Iceland are affected; these are global problems that need international, as well as national, responses. My right hon. Friends the Prime Minister and the Chancellor of the Exchequer have made it absolutely clear that we will do whatever is necessary and right to maintain stability. Along with Governments across the world, we have the responsibility to support a stable, well-functioning banking system.

Financial transactions are at the heart of everything that we do: they allow people to buy goods, pay for services, buy homes, save for pensions and invest for growth and prosperity. It is essential that we take action both to support the banking system as a whole and to intervene in particular cases when it is necessary to do so. It is not a case of one or the other; general support and individual intervention are needed. We want to work with other countries to tackle the causes of these problems as well as deal with their consequences.

Yesterday, the Chancellor announced to the House the decisive, comprehensive action that the Government are taking to restore confidence in the banking system and put banks on a stronger footing. That has been widely welcomed.

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): The House welcomes what my right hon. Friend has said about financial stability. One of the underlying reasons for the weakness in our and America's banking systems is the weakness in the housing market and the fact that increasing numbers of people are unable to pay their mortgages. What will be done, as autumn turns to winter and winter turns to new year, to make sure that our constituents do not find themselves at the mercy of repossession? What will be done to support people in their homes and against arbitrary repossession?

Mr. Timms: I am sure that my hon. Friend will welcome yesterday's Bank of England announcement of a reduction in interest rates. Of course, if we are successful, as we hope we will be, in opening up the lending market again, we will see the housing market—and, indeed, other parts of the economy—benefit from that change. It is essential that we take action both to support the system as a whole and to intervene in particular cases when we need to.

Mr. David Winnick (Walsall, North) (Lab): Does my right hon. Friend accept that some people must be puzzled? Over the years, we have been told by all kinds of people that state intervention is wrong, that any form of extending public ownership is highly undesirable and that all such measures would undoubtedly lead to wicked socialism, which is no doubt being considered in Washington. Is it not also puzzling that at this moment, when there is such a crisis in financial markets across the world, it is precisely state intervention that is essential?

Mr. Timms: My hon. Friend is absolutely right. I have been struck by how some people who have customarily denounced any form of Government intervention are now calling for precisely that intervention.

There are three strands to what the Chancellor announced yesterday: first, the provision of sufficient liquidity now; secondly, making available new capital to UK banks and building societies to strengthen their resources and restructure their finances while maintaining support for the real economy; and thirdly, ensuring that the banking system has the funds that it needs to maintain lending in the medium term.

Mark Pritchard (The Wrekin) (Con): The Financial Secretary has mentioned three points, but are there not really four? First, there is a transfer of debt to the national purse; secondly, there is a deferral of debt from today until tomorrow. The third and fourth points are the subsequent choice between cutting public spending or increasing taxes.

Mr. Timms: No. The three strands are precisely as I have set them out. I am not sure whether the hon. Gentleman is expressing opposition to the package; in common with others outside the House, Conservatives have generally welcomed the proposals as precisely the decisive and bold action that is needed, given the circumstances that have resulted from the problems in the USA.

Mr. Paul Burstow (Sutton and Cheam) (LD): The Financial Secretary mentioned the need for bold action. In his statement yesterday, the Chancellor said that he had frozen the assets of the subsidiaries of Landsbanki in this country as a first step in trying to address the issue of retail deposits at that bank. However, he was not so clear about what was intended in respect of local authority deposits with the bank. My local authority, the London borough of Sutton, has £5.5 million in a subsidiary of that company. It was invested in a prudent fashion and in line with guidelines issued by the Treasury. The authority wants to know what will happen to that money and whether the Government will stand with it and council tax payers to make sure that the money is safe.

Mr. Timms: I am aware that my right hon. and learned Friend the Leader of the House fielded several questions about this at business questions. I can tell the hon. Gentleman that there will be a meeting this afternoon between my hon. Friend the Economic Secretary, my hon. Friend the Minister for Local Government and the Local Government Association to consider exactly this issue.

Hugh Bayley (City of York) (Lab): The hon. Member for The Wrekin (Mark Pritchard), who has now left the Chamber, asked about affordability. Does my right hon. Friend take some reassurance from the editorial in today's *Financial Times*, which says:

"The government can afford this plan. National debt is relatively low and the UK can borrow more"?

When the Conservatives left office, our national debt was 47 per cent. of gross national product. We have got it down to 37 per cent., which has created, through good economic management, the room for this kind of intervention when it is so necessary.

Mr. Timms: My hon. Friend is absolutely right. We have the lowest level of debt, other than Canada, in the whole of the G7, which means that we are in a position whereby we have the headroom that we need.

Mr. Henry Bellingham (North-West Norfolk) (Con): The Minister will be aware that Norfolk county council is among a number of local authorities with money on deposit with subsidiaries of Icelandic banks. It seems to many of us that, in the circumstances post-Northern Rock, that was not the wisest thing to have done. Did the Treasury give any specific instructions or advice to those local authorities?

Mr. Timms: If a local authority has any concerns about that, I suggest that it contact the Local Government Association, which, as I said, has a meeting with my hon. Friends this afternoon.

Within the package of proposals that we have brought forward, we will ensure that where public funds are involved there will be conditions on remuneration arrangements in banks—we do not want rewards for excessive risk-taking—and to secure and maintain credit to home buyers and to small businesses. The proposals have been widely welcomed. As well as supporting stability in the financial system, they will protect depositors, safeguard their interests and play an important part in the international response to this global crisis. In turn—

James Brokenshire (Hornchurch) (Con): Will the Minister give way?

Mr. Timms: I will make a little more progress before I give way again.

In turn, that should help people and businesses to support the economy in these extraordinary times. Whenever possible, countries should work and act together to maintain stability. My right hon. Friend the Chancellor has agreed with European Union Finance Ministers to work together to rebuild confidence in the banking system. All member states have now committed to immediate steps to enhance depositor protection. My right hon. Friend will also be in Washington this weekend to discuss steps to be taken internationally, including on strengthening the system of international supervision, and the Prime Minister has agreed with other major countries on a meeting of Heads of Government to ensure that international action is taken.

It has been necessary for Government to take decisive steps to strengthen the stability of the banking system. The best solution to a firm's specific concern is, where it is available, a private sector solution. On 18 September, it was therefore announced that Lloyds TSB and HBOS were to merge following market turbulence whereby HBOS found itself in increasing financial difficulties as investors lost confidence in its ability to continue operating. To help to secure the deal quickly in the best interests of wider financial stability, the Government have changed competition rules to allow financial stability to be considered in the scrutiny of this merger. The decision on whether the merger should be referred to the Competition Commission will be taken in the normal way by the Secretary of State for Business, Enterprise and Regulatory Reform in the light of implications for competition and financial stability, and an affirmative resolution will be made to add the maintenance of UK financial stability to the list of public interest considerations in the Enterprise Act 2002.

Mr. Philip Hollobone (Kettering) (Con): This banking crisis followed a severe oil price shock in the summer, with the price of oil reaching $150 a barrel. Since then, it has fallen by 40 or 50 per cent., but the price of petrol and diesel at the pumps has remained stubbornly high. Is the Minister considering the possibility of investigating anti-competitiveness among the oil companies at petrol stations, because this is having a real impact on household budgets?

Mr. Timms: The fall in the price of oil is certainly very welcome. There are also indications that the recent increases in food prices are moderating. However, the hon. Gentleman is absolutely right—those reductions need to be reflected in the prices charged to ordinary consumers.

Sir Stuart Bell (Middlesbrough) (Lab): I hesitate to interrupt my right hon. Friend's flow, but it had already been interrupted.

Not enough is being made of the fact that there will be strict controls through the Financial Services Authority on compensation packages for the executive directors of these various banks. Let me remind the Financial Secretary of what the Chancellor said:

"In reaching agreement on capital investment the Government will need to take into account dividend policies and executive compensation practices and will require full commitment to support lending to small businesses and home buyers."

Can the Financial Secretary repeat that today, because it is being overlooked in the outside world, where there seems to be a view that we are going to skate away from these so-called golden parachutes?

Mr. Timms: I have already touched on that, but my hon. Friend is right to underline it. Indeed, the FSA has made it clear that it will consider remuneration arrangements as part of its assessment of the banks.

Mr. Chris Mullin (Sunderland, South) (Lab): Will my right hon. Friend give way?

Mr. Timms: Let me make a little more progress, if I may.

I talked about our response to the difficulties of HBOS, so let me move on to Bradford & Bingley. Purely private solutions to firm-specific problems are not always available, and there will be circumstances in which the Government need to take steps to deliver solutions with the private sector to ensure that depositors are protected

and that banking services are not disrupted. Following a period of extreme market dislocation, Bradford & Bingley found itself in increasing difficulties as investors lost confidence in its continued independence. On 17 September, the FSA declared that Bradford & Bingley no longer met its threshold conditions as a deposit taker, and after consultation with the FSA and the Bank of England, and having explored all the options, we announced that Bradford & Bingley's UK and Isle of Man retail deposit business, along with its branch network, would be transferred to Abbey. The remainder of Bradford & Bingley's business was taken into public ownership through the transfer to the Treasury of the company's shares. That included its mortgage book, personal loan book, headquarters and relevant staff. The remainder of Bradford & Bingley's business will be run down over time—for example, as mortgages are repaid by its customers. The Treasury and the financial services compensation scheme will recover payments in the wind-down. The financial services compensation scheme paid out approximately £14 billion to enable retail deposits covered by the scheme to be transferred to Abbey. The Treasury has also made a payment to Abbey for retail deposit amounts not covered by the financial services compensation scheme—some £4 billion. We fully expect taxpayers to get the full £4 billion back.

James Brokenshire: The Minister has been talking about the recovery of assets. He will be aware that the Chancellor said that Icelandic accounts had been frozen and that steps would be taken to recover the assets. Can the Minister give any further update on the measures that are being taken and on any further discussions that have taken place with the Icelandic authorities on the recovery of those funds?

Mr. Timms: I will come to the position of the Icelandic banks in a moment, but I wanted first to update the House on the range of issues that have emerged.

If there are losses at the end of the wind-down of Bradford & Bingley, the cost will be met first by Bradford & Bingley shareholders and subordinated debt-holders. The financial sector and the Treasury will then share any further losses between them. It is anticipated that the financial sector will bear a significant proportion of any such further losses from future profits when financial markets return to normal. It would require some £4 billion of impairments on the mortgage assets before the Treasury and the taxpayer suffered significant losses. Moody's credit rating agency estimates that asset impairments will amount to about £1.2 billion. We are confident that, through quick and decisive action, we are doing whatever it takes to stabilise the financial system in the UK while protecting the taxpayer.

Savers at Bradford & Bingley are now savers at Abbey, with the assurance of their deposits being with a major bank. Savings can be accessed in the usual way and remain covered by the financial services compensation scheme. Bradford & Bingley's branches, call centres and internet operations continue to be open for business as usual. The Government have also guaranteed that for those working in Bradford & Bingley's headquarters, there will be no compulsory redundancies over the next six months, employee terms and conditions will remain unchanged, and pension rights will be protected.

On the issue that the hon. Member for Hornchurch (James Brokenshire) just pressed me on, acting yesterday on the advice of the Bank and the Financial Services Authority, and in light of recent announcements by the Icelandic authorities, the Chancellor took action to protect retail depositors in three Icelandic banking operations in the UK: Icesave, which is a UK-based branch of Landsbanki; Heritable, which is a UK-based banking subsidiary of Landsbanki; and Kaupthing, Singer and Friedlander, which is a UK-based banking subsidiary of Kaupthing bank. That action was taken to ensure stability of the UK financial system and savers' money is now safe and secure.

Mr. Mark Hoban (Fareham) (Con): For the sake of clarity, will the Financial Secretary say whether savers' money is protected up to £50,000, or above £50,000?

Mr. Timms: As my right hon. Friend the Chancellor made clear, all the deposits by retail savers will be protected.

Yesterday, the FSA deemed Icesave to be in default. Because of the Chancellor's decision, no retail depositor will lose any money as a result of the closure of Icesave. The Treasury and the financial services compensation scheme are working with the Icelandic authorities and their deposit insurance scheme to ensure that depositors are paid back as quickly as possible. My right hon. Friend the Chancellor emphasised to the Icelandic Finance Minister that UK depositors in Icesave should have the same protections as depositors in Iceland, and receive their deposits back in full promptly. Arrangements are being put in place to ensure that all ISA customers of Icesave will continue to benefit from the tax-free status of their accounts.

To protect UK economic interests, the Government have frozen the funds and financial assets held by the Icelandic bank, Landsbanki. We fully understand the exceptionally difficult challenges faced by the Icelandic Government and the pressure that they are under. We want to work co-operatively and constructively with them, particularly to ensure that depositors and creditors are protected. We have, though, been unable to obtain complete clarity from Iceland on the position, so the freeze we introduced is a precautionary measure protecting UK interests, and it could be lifted once safeguards are in place to prevent action detrimental to the UK economy.

Julia Goldsworthy (Falmouth and Camborne) (LD): I just have a quick question on the freezing of assets. Could the Financial Secretary clarify under which legislation the assets were frozen? My understanding from reports in today's newspapers is that the freezing took place under anti-terrorism legislation, and I am interested to know how the Government justified freezing the assets through such legislation.

Mr. Timms: The important thing was to safeguard UK economic interests. The hon. Lady is quite right: the power used happened to be in the Anti-Terrorism, Crime and Security Act 2001, but it was felt necessary to protect UK economic interests.

Yesterday, the FSA also deemed that Heritable and Kaupthing did not meet threshold conditions. In order to provide for as much business continuity as possible, the majority of Heritable's retail deposits, and the Edge accounts in Kaupthing, were transferred to ING Direct, using the Banking (Special Provisions) Act 2008. ING Direct is working rapidly to ensure business as usual for

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customers. Action by the tripartite authorities protects savers' money and provides certainty for retail depositors. The transfer of the retail deposit book has been backed by cash from the Treasury and the financial services—

Madam Deputy Speaker (Sylvia Heal): Order. I am afraid the right hon. Gentleman's time is up.

12.43 pm

Mr. Mark Hoban (Fareham) (Con): Over recent months, we have seen the impact of the credit crunch move beyond the banking system, first to home owners and now to businesses. What was seen as a problem of banks being unwilling to lend to each other has become a problem of banks being unable or unwilling to lend to their customers. In the mortgage market, that has been characterised by lower loan-to-value ratios as banks ration credit, and higher interest rates as the spread between the London interbank offered rate—LIBOR—and the base rate widens. Businesses are seeing comparable issues. For example, businesses have seen their overdraft rates go up from 10 per cent. to 15 per cent. The markets seized up because of concerns about banks' capital and their ability to withstand losses, which added to concerns about liquidity.

Ann Winterton (Congleton) (Con): There has been much speculation about the mark-to-market rules, which have played their part in creating this instability. Can my hon. Friend confirm that the implementation of mark-to-market rules is a European Union competency?

Mr. Hoban: As I understand it, the mark-to-market rules fall within international accounting standards, which are implemented through EU law. The International Accounting Standards Board is looking at how illiquid financial instruments are valued in the absence of financial markets. That work is ongoing, and we need co-operation between the EU and the United States on that issue because there is a risk of divergent standards being used.

Mr. Doug Henderson (Newcastle upon Tyne, North) (Lab): Following the point raised by the hon. Member for Congleton (Ann Winterton), would the hon. Gentleman agree that it is unlikely in the long term that confidence will be built in inter-bank lending or in consumer depositing internationally until international regulations are established by an organisation such as the International Monetary Fund, so that people would know that if a financial institution did not meet regulations, there might well be something dodgy going on?

Mr. Hoban: I am not sure whether the hon. Gentleman is referring to accounting standards, which are rightly set by the International Accounting Standards Board, or a single global regulator. There is a cross-party consensus that there should not be a global financial services regulator, but this crisis has demonstrated the need for greater international co-operation when it comes to such challenges.

Sir Stuart Bell: I congratulate the hon. Gentleman on his knowledge of competencies and the relationship between accounting standards and European law. He mentioned co-operation with the United States and, to enlighten him further, the US Congress is at this moment looking at mark-to-market. Everything will come together in a package one way or another, and I am sure that the hon. Gentleman will welcome that.

Mr. Hoban: My knowledge of international accounting standards comes from the fact that I am a chartered accountant, although I am no longer practising. When looking at mark-to-market, and international moves to deviate from that—my right hon. Friend the Member for Witney (Mr. Cameron) proposed a temporary suspension of mark-to-market last week—it is important that we adopt a common approach. It is unhelpful if the US adopts one approach while UK and European markets adopt another. There needs to be some consistency if we are to have comparability of financial statements.

The seizing up of inter-bank lending has led to illiquidity as banks seek to hold on to cash. As Northern Rock shows, a bank can be solvent, but still face problems because of liquidity. We believe that action needed to be taken to tackle both liquidity and capital and that you could not tackle one without tackling the other. This is where yesterday's £50 billion rescue package is pivotal in its support for recapitalisation and further moves to improve liquidity in the inter-bank market. I want to raise some detailed questions about yesterday's package in a moment.

Taxpayers will ask us why we needed to do this, who else is sharing the pain and more crucially, how we will know if it has worked. The answer to why we need to do it is clear: financial instability has caused problems for businesses and households, and if action had not been taken those problems could have got far worse. It is also clear, however, that if taxpayers are to bear risk they need to know that others are taking their share of responsibility, too. Banks will have look again at dividends to conserve their capital and there will be little public support for banks paying bonuses when the taxpayer is at risk.

Hugh Bayley: Writing in today's issue of *The Daily Telegraph*, the Conservative party leader sought a guarantee that there would be no bonuses for senior executives of banks that have taken the greatest risks. Is that just political bluster or does he have a list of the banks in question? How would the hon. Gentleman's party propose to ensure that no bonuses were paid? What legislative measures would it put in place to ensure that?

Mr. Hoban: The hon. Gentleman seems to have spent much of his time this morning reading the newspapers.

Hugh Bayley: I do read the newspapers—and so does the hon. Gentleman.

Mr. Hoban: It is good that the hon. Gentleman does that. He should have asked the Financial Secretary how the Government intend to achieve what he outlined, because yesterday's statement refers to executive compensation packages. There will be an agreement between the Government and banks on recapitalisation using the £25 billion that has been set aside. It would be interesting to hear the Government present their mechanism for that. Perhaps the Financial Secretary could outline the Government's progress on it.

Hugh Bayley *rose—*

Mr. Hoban: I am conscious that many hon. Members want to take part in the debate, and I have already been generous in taking an intervention from the hon. Gentleman.

The package will not work if it simply enables people in the City to breathe more easily and leaves those in our cities and towns no better off. The conditions attached to it are therefore important. How will the Government ensure that the banks'

"commitment to support lending to small businesses and home buyers"

happens in practice? The Prime Minister and the Chancellor ducked that question yesterday—I hope that the Financial Secretary is in a position today to give us an answer because the link is important if the package is to work.

I shall ask detailed questions about the three aspects of the scheme. The special liquidity scheme has been extended to the end of January and increased to £200 billion. If there is continued demand for it, can it be extended in duration and increased in value? People in the banks will be interested in the answer to that.

On the equity package, one of the eligible institutions is the Nationwide building society, and other building societies could also be eligible. What are the consequences for the mutuality of building societies if they seek Government support to recapitalise their balance sheets?

Will the Financial Secretary clarify the purpose of the second tranche of £25 billion? We understand that it can be used to invest in only preference shares or permanent interest-bearing shares, yet the Treasury press release yesterday stated that the Government are

"willing to assist in the raising of ordinary equity if requested to do so".

Does that mean that the Treasury will invest in the ordinary shares of banks and eligible institutions? If not, will the Financial Secretary explain that statement in yesterday's press release?

Mr. Peter Bone (Wellingborough) (Con): My hon. Friend makes an important point. A small part of yesterday's statement suggested that the Government would underwrite issuing new ordinary shares. If that is the case, the package is different from what we have been led to believe.

Mr. Hoban: My hon. Friend highlights the ambiguity in the statement. It is important that the Financial Secretary uses the opportunity today to clarify the point, because investing in or helping underwrite ordinary shares is different from investing in a form of preference shares.

Barry Gardiner (Brent, North) (Lab) *rose—*

Mr. Hoban: I am happy to give way to the former envoy for forestry.

Barry Gardiner: The contemporaneous note that I made during yesterday's statement said that the underwriting of new debt would be temporary, and not simply the underwriting of new shares per se.

Mr. Hoban: I am grateful for that clarification, but the problem is that the statement, as published yesterday on the Treasury website, is not sufficiently explicit about the meaning of assisting in raising ordinary equity. Some clarification would be helpful rather than relying on *Hansard* or contemporaneous notes.

Will the Financial Secretary explain the link between the recapitalisation fund and the £250 billion facility to guarantee the repayment of short and medium-term debt issuance? If a bank does not take Government money for recapitalisation—I understand that at least three institutions so far have declined to do that—can it take advantage of the Government guarantee? If a bank has not sought any of the £50 billion available for recapitalisation, but wants to use the guarantee, is it bound by the commitment to

"support lending to small businesses and households"?

If so, how will that be policed?

Currently, the scheme is limited to eight eligible institutions, although the Treasury press release makes it clear that other UK incorporated banks, including those that are subsidiaries of foreign banks, can also join the scheme. Clearly, Abbey, as a financial institution, is an example of that form of organisation. However, other UK incorporated banks are subsidiaries of foreign banks, for example, J.P. Morgan and Citibank. Will they have access to the £250 billion guarantee fund? Will institutions that operate primarily in the wholesale market also have access to it? They are unlikely to lend to households or small businesses, and some clarity would therefore be helpful.

Are the Government confident that the £250 billion is enough to help institutions refinance their wholesale funding obligations? What work have they done to assess the adequacy of the fund? I do not know where the figure has come from or the suggestion that it is enough. Might it be topped up later? Again, some clarity would be welcome, not only in the House but outside. When can eligible institutions use the guarantee fund? The statement on the Treasury website was silent on that matter. Institutions that wish to refinance their short and medium-term debt issuance will want to know when the fund is open for business.

I have made some detailed points, but I think that the Financial Secretary appreciates that more clarity about the way in which the money is to be used, who has access to it and how the conditions are policed will not only help financial institutions that may benefit from it understand what is happening, but help our constituents, who are paying for the package, understand how the Government will secure the link between the money that has been advanced to the banks and their commitment to support lending to small businesses and families.

Next Tuesday, we will return to the debate on banking reform. The Banking Bill sets out several mechanisms, which have partly been used during the past year to rescue institutions with problems. However, we need some long-term changes to entrench financial stability. The Bill that we discuss next week deals largely with the consequences of failure, not prevention of the recurrence of such problems.

Conservative Members believe that, in setting up the FSA, the Prime Minister broke the link between the understanding of market-wide risk and the supervision of individual institutions. To avoid the repeat of a debt

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bubble, we believe that we need to reinstate that link, with the Bank of England being given a much greater role in determining the overall amount of capital needed in the market. That will strengthen the system and entrench financial stability in markets. The Government have embraced our proposals to increase the deposit protection limit from £35,000 to £50,000, and a bank-led reconstruction of a failing institution. Perhaps they will endorse the idea that I have just outlined.

As we have made clear, for the package to work, we need not only inter-bank lending to reopen, but lending to businesses and families to recommence. Taxpayers want an end of the age of irresponsibility, but they also want responsible lending. That is the true test for this package, and we hope that it meets that test.

Several hon. Members *rose—*

Madam Deputy Speaker: Order. Mr. Speaker has imposed an eight-minute limit on Back Benchers' contributions, but several hon. Members have expressed a wish to participate in the debate since then. Given that we have rather less than an hour, may I ask hon. Members to restrict their comments further?

12.58 pm

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): There is undoubtedly much concern among the public about the fact that the bail-out for the banks is necessary. I am sure that I am not the only Member of Parliament who has had e-mails and phone calls overnight from constituents who are angry that people who have made massive amounts of money and enjoyed massive bonuses are expecting the taxpayer to pick up the tab for their mistakes. That public anger is not misplaced, but there is no doubt that yesterday's action was right and necessary.

I speak as a Member who represents a constituency in Edinburgh, where the problems in the banking and financial industry have a direct and immediate local dimension. Sixteen thousand people in Edinburgh are directly employed by HBOS or the Royal Bank of Scotland. Thousands more are employed in Lloyds TSB or its subsidiaries, such as Scottish Widows, and thousands are employed in other businesses, such as Standard Life. On top of that, many thousands of my constituents are employed in sectors dependent on the banks and financial services. That is why I and other parliamentary colleagues from Edinburgh have been in regular contact with senior management in those businesses, with our colleagues in the Scottish Parliament and in local government, and of course with the Chancellor, to discuss those issues at this worrying time.

The package that was announced yesterday should certainly reassure those who are employed by the banks and the financial sector in Edinburgh, Halifax and elsewhere. It should make it more possible to achieve an ordered recovery from the current crisis and for decisions to be taken in the longer-term interests of the banking sector and the economy as a whole. I hope that, along with the effect on small businesses, one of the factors that the Government take into account when they agree the details of any support for particular banks will be the effects on the thousands of ordinary people employed by those businesses, in places such as my constituency. The ordinary workers in those businesses should not be the victims of greed and excessive ambitions higher up in those institutions.

However, everyone in Edinburgh would of course be affected in the same way as those in the rest of the UK by a meltdown in the banking sector. The local authorities that now face the loss of millions of pounds as a result of the failure of an Icelandic bank emphasise how the effects of a bank failure rapidly spread into the wider world. If, heaven forbid, one or more big British banks were ever to fail, it would not be just a few local authorities that would face the situation that some face now. Every local authority in the country would have severe difficulties in meeting its pension commitments and continuing to provide vital services for their communities.

The same would be true of pension funds and there would be consequences for those seeking to remortgage. There would also be consequences for millions of businesses, which would have difficulties with cash flow. Problems would arise in international trade and there would be consequences for the stock market and threats to the billions of pounds of private savings if any banks were in that situation.

That is why it was right for the action to be taken and why it had to be dramatic and bold action. We have to remember that the collapse in the 1920s was one of the contributors to the eventual growth of dictatorships and fascism and, ultimately, the second world war. That might sound dramatic, but it is a reminder of a reality that we could face if action were not taken internationally to try to tackle the current crisis and if the banking system seized up. That is why the action taken this week is welcome, but it can only be the start of much more dramatic and radical action at the national and international levels combined.

First, we need to return to sound banking practices here in the UK. Hon. Members asking questions yesterday expressed their fears that once the immediate crisis was, hopefully, over, some in the financial sector would return to their bad old ways. That is a real concern. The problem is not just with a few people at the top, earning big bonuses. There is a cultural problem in much of the industry that needs to be addressed and on which we need action in a number of ways, from the Government, the regulators and the industry itself. The public will expect us to do that and they will be very angry indeed if the problem is not addressed in a thoroughgoing and long-lasting way.

A return to sound banking will also be more likely if the Government and regulators seek to strengthen those parts of the financial services sector that have now fallen prey to the greed and irresponsibility of some, but not all, in other parts. I refer to the strength displayed by the mutual sector—the building societies. Although there have been problems, which have been dealt with so far, the building societies certainly have not overextended themselves with massive international expansion, funded by expensive borrowing, in the way that some of the banks have. I would therefore like to hear an answer to the question that the hon. Member for Fareham (Mr. Hoban) asked about how the mutuals would be affected if they wished to take advantage of the financial arrangements announced yesterday.

Secondly, it is clear that we need stronger international rules and agreements to ensure that collective action can be taken successfully. The action taken by the UK so far can lead the way in setting an example for the rest of the world.

Finally, we also need to strengthen the ability of the European Union to act together. The fact that that did not originally happen in the way that it should have happened should not lead us to the conclusion that the EU's role should be weakened. Rather, the conclusion that we should draw is that it is time to strengthen the EU's ability to ensure that its members work together in such crises and put into effect a common response and action plan when it is agreed. That might not be popular with Eurosceptics in the Chamber, but now is the time for more European co-operation, not less.

1.5 pm

Mr. Jeremy Browne (Taunton) (LD): The context of today's debate is the understanding that every economy needs a functioning banking system. Businesses and individuals have to be able to borrow money to invest. Without that confidence, the economy as a whole and, indeed, our whole society, is adversely affected.

We on the Liberal Democrat Benches therefore welcome the financial rescue package that the Prime Minister and the Chancellor announced yesterday. It was in the national interest; it was the right thing to do. That does not make it any less galling that the greed and excesses of the banks have put us in this position. However, when a house is on fire, recriminations about how it started are secondary to putting out the fire. That is the task that we have now embarked upon.

Changes in the rules of engagement between the taxpayer and the banks are nevertheless inevitable as a result of the Government's intervention, as well as being desirable. It is essential that the taxpayer's investment is as advantageous in its terms as possible. If, or perhaps when, normal order resumes and banks return to profitability, I want to see the return on that investment at the highest possible level for the British taxpayer.

Senior bankers also have to wake up and realise that their old ways are in the past. Unlike the Conservatives, I do not want the Government to micro-manage every boardroom decision. I say this with kindness to the Conservative party: running a bank is not like deciding the location of chocolate oranges in WHSmith. We are talking about the banking sector being free to make innovative decisions, but within the changed context of the different times in which we find ourselves. The City and the wider banking sector must realise that the context is now different.

Ms Abbott: The hon. Gentleman talks about micro-management of boardrooms, but I do not think that anybody, in any part of the House, has talked about micro-management. What we are talking about is effective and substantive regulation, which has not necessarily been in place in the past 10 years.

Mr. Browne: I take the hon. Lady's point about effective regulation, but, as I understand it, the leader of the Conservative party is keen for the Government to intervene and decide the remuneration policy of people working in the banking sector. That is an extraordinary transformation. The Conservative party, which wholly embodies the culture of excess and "loadsamoney" banking spivvery, is now going to a 1970s incomes policy. I know that many on the Conservative Benches look back to the era of Margaret Thatcher with fondness, but this is the first time that I have seen Conservative Members look back with such enthusiasm to the era of James Callaghan.

Adam Price (Carmarthen, East and Dinefwr) (PC): I know that the Liberal Democrats' new political strategy is to put themselves to the right of the Conservative party, but surely when the banks are coming cap in hand to the taxpayer, it is reasonable for the taxpayer to except a degree of accountability—that is, no fat cat bonuses. What is unreasonable about that?

Mr. Browne: It is entirely reasonable that the taxpayer, having taken a stake in the banks, should have an interest in how those banks operate. However, that is not the same as setting an incomes policy for banks and deciding on the remuneration of individual bankers. I know that the issue is a mere footnote to the great events that have taken place in recent weeks, but it highlights the dangers of a party using shallow marketing devices to reinvent itself without any reference to core beliefs and values.

Mr. Hoban: The hon. Gentleman is making an extraordinary series of allegations, but let me ask him this: is he going to go back to his constituency this weekend and tell his constituents that the bankers who are being bailed out by taxpayers' money deserve bonuses?

Mr. Browne: I noted that, when the hon. Gentleman had the Floor earlier, the hon. Member for City of York (Hugh Bayley) asked him how the leader of the Conservative party envisaged the Government enforcing an incomes policy in the banking sector. There was no answer from the Conservatives, because they do not have any practical way of delivering their policy. They think that the best way of deflecting attention from the fact that they have no credible policies whatever in this area is to give this nod to populism.

My answer to the hon. Member for Fareham (Mr. Hoban) is that of course the circumstances have changed when the taxpayer is investing so heavily in the banking sector, but the Government cannot decide in every minute detail how the banks should be successful and go forward. There may be circumstances in which a particularly innovative, entrepreneurial banker is so successful at turning round the fortunes of his bank—to the advantage of my constituents and the hon. Gentleman's—that that needs to be recognised. I am sorry if the Conservatives find that frighteningly right wing, but I do not believe that it is possible to run the entire banking sector and the boardroom of every bank from the Chamber of the House of Commons.

Ms Abbott: Will the hon. Gentleman give way?

Mr. Browne: I am getting a bit distracted, but I will give way one more time.

Ms Abbott: The hon. Gentleman does not seem to understand that one of the issues in this debate about the remuneration of bankers is whether banks pursue

[Ms Abbott]

bonus policies that encourage people to make short-term profits without paying attention to the long-term sustainability of their own financial institutions.

Mr. Browne: I do understand that point. I am not saying that I am in favour of all bonuses or of bonuses for short-term behaviour that is disadvantageous to the long-term prospects of a bank. But that is not what the Conservatives are saying; they are saying that they are against any bonuses being paid in the banking sector in any circumstances. Bonuses are also being paid in the public sector at the moment. I do not favour that practice because, by and large, they are being given to people who are simply doing the job for which they are already paid a salary. However, there might be circumstances in which there is such exceptional performance in the public sector that it is right to recognise it financially in order to create incentives to greater creativity, flair and entrepreneurialism and to a more effective delivery of services. I am simply saying that we should keep that scope in the banking sector as well. I do not think that the Conservatives are wise to say that, however good the bankers are, the Government should intervene in all circumstances to prevent a bank from paying a bonus to recognise outstanding creativity, talent and wealth creation.

It is important that there is a housing dimension to the Government's action. The £8 billion of public money that has already been approved for social housing should be used rapidly to acquire the land and property that is becoming available at big discounts at the moment, due to market circumstances. Steps must be taken to protect home owners from premature and unnecessary repossessions.

In addition to the financial package that was announced by the Prime Minister and the Chancellor yesterday, the Bank of England announced a half-point interest rate cut. My party welcomes that decision by the Bank. Its effectiveness was increased by it being part of a co-ordinated international approach that cut interest rates in the leading industrial countries around the world. However, it is fair to say to the Bank of England that this is not the time for cautious incrementalism. We are entering an era in which more dramatic action will have to be taken on interest rates to try to restore greater confidence and to give people the ability to lend and borrow, which they have felt unable to do in recent months. I, and most observers, expect further interest rate cuts to follow.

We do not know whether the Government's action will succeed, but we know that it must do so. The only plan B available to us is to continue with plan A until we are clear of the crisis. Financial stability is essential for the workings of our entire economy, which is why the rescue package announced by the Prime Minister and the Chancellor has our support.

1.14 pm

Mr. George Mudie (Leeds, East) (Lab): As time is short, and there are many Members here, I shall move quickly through my speech. I shall not, however, take the advice of my Newcastle colleague, my hon. Friend the Member for Newcastle upon Tyne, North (Mr. Henderson), who has just suggested that, if I wanted more time, I should make my speech in the next debate, when I would get 15 minutes. Of course, you would notice if I did that, Madam Deputy Speaker.

I have heard what has been said in the debate, but I think that congratulations are in order. We cannot go overboard, but I think that the package that was delivered yesterday was a very good one, in both content and presentation. If we compare its content with that of the US package, we see that it is completely different, in that it is far more relevant and far more likely to be successful. Its presentation, despite being spoiled by some nonsense, to which I shall return later, involving discussions between the Opposition and officials, was very good. It has gone down very well, and the Government have certainly played their part in doing what they can in the global fight for stability. Locally, we have certainly delivered a package.

As a member of the Treasury Select Committee, I did one or two interviews yesterday. The media seemed to have moved on to the next day's news—or the next hour's news—and were asking what would happen if the plan did not work. We put £400 billion into the equation, yet they still wanted to know what would happen if it did not work. The answer has been given by the Prime Minister and the Chancellor of the Exchequer: if it does not work, we will do whatever it takes. That is the only possible answer.

Today, although the markets have stabilised and even gone up, the situation is still volatile. We do not know whether the plan is going to work. We can only hope. Some Members have asked about the cost of the package and how we are going to meet it, but that does not matter. We have to win this battle, because the price of losing it would be so devastating for ordinary people's standard of living, so we will do whatever it takes. This is not simply about money. It is more about money plus confidence. If confidence results from this package, that will be lovely. If it does not, another package will have to be delivered until confidence returns to the markets and we can get back to normal.

I am delighted to see what is emerging as a result of the package, although it places some pressure on the Minister. When the lending facility for the special liquidity scheme was introduced by the Bank of England, and introduced in the Chamber by the Chancellor, I made the point that we were talking about creating a £100 billion facility to rescue the banks—the very people who got us into this problem. Has any part of the negotiations tied the banks not only to rescuing themselves with the money, but to ensuring that their customers—small businesses and, above all, home owners—are rescued? The answer that the Governor of the Bank of England gave to the Treasury Select Committee was that that was not his concern. The Chancellor answered that it would be improper for him to take such action.

I am delighted that things have moved on, and that this larger package contains specific reference to freeing liquidity in loans, and to lending to home owners and to small and medium-sized enterprises. However, when the Minister was questioned on the package earlier, he suggested that it should do certain things. I wonder whether we can press him on this issue. I do not fancy going back to my constituency and telling people that, this week, we made £400 billion available to rescue institutions headed by people whose reckless—one could say greedy—behaviour has endangered the economy of this country and the livelihoods of most of its people. I do not fancy telling my constituents that, without also being able to say that, in moving to save the banks to

stabilise the financial markets, we have obtained an explicit agreement that, as soon as possible, and in defined terms, they will start proper lending facilities.

The chief executive of the British Chambers of Commerce was on television this morning: a survey of 5,000 businesses has been undertaken and every indicator is negative. Above all, we must look at the number of housing repossessions that are taking place. At first, we had a problem caused by the financial markets in the financial markets and the real challenge was to see whether we could prevent it from spreading to the real economy. It looks as though we may fail, but this is our last chance. If we have not nailed these bankers to an agreement that is explicit and that will be honoured, we will not be thanked by ordinary people watching events on television, doing their sums and looking at their household budgets and worries. I press the Minister to tell us whether all this is a hope, trickle-down or something that will happen.

On salaries, I cannot understand the hon. Member for Taunton (Mr. Browne), and there is real sense in questioning both parties that say that something should be done. Something will be done. There is the question of having a bit of fun and saying, "Tell us the details," but it is more important that there is political will. If we say to people out there, "We've rescued the ones who caused you these problems, but we haven't got an understanding that they will change their behaviour," once again we will not be forgiven. We need that political will.

I hope that, for the first time, the banking and finance industry will show a bit of humility and put its own house in order, but if it does not do so I hope that we retain the consensus to do something about it.

I say to the Minister and the Chancellor that this is a great package, but given the amount of money we put into those institutions I cannot understand why we did not get board representation. Lending policies are being considered and salary policies are on the table. We ought to have our representative in there to ensure that our part of the deal is delivered.

I am sad that the Liberals have departed from Bank of England independence. That independence was given and supported, but when things get tough they want to take it away. The Bank of England and the Government must improve their relationships a bit, including more trust and more partnership, but taking independence away from the Bank would be a wrong step.

1.22 pm

Mr. Andrew Tyrie (Chichester) (Con): I agree with a great deal of what the hon. Member for Leeds, East (Mr. Mudie) said, and I might come on to a few of those points.

Government action has been required to recapitalise the banks for quite a while. It was made particularly urgent by the collapse of Lehman, which sent shivers through the banking system. Cash hoarding and de-gearing by banks was being reinforced by counter-party risk, with the banks themselves fearful that other banks might go bust. Finally and belatedly, the Government have responded to widespread calls for a recapitalisation plan, and I think we should support it.

Mr. Charles Walker (Broxbourne) (Con): One of my concerns is the fact that the Government are positioning what has happened as purely a failure of the banking sector. They have had financial stewardship of this country for the past 11 years. Surely they must take some responsibility for getting us into this position and for the failings of the regulatory bodies that are meant to oversee the activities of the banking sector.

Mr. Tyrie: I strongly agree. It is important that we alert people to the myth that is being propagated, which is that, somehow, this crisis blew over on a transatlantic breeze. Of course, it was partly made here as a result of excessive borrowing by the Government, the corporate sector and individuals.

Furthermore, the crisis has been made worse by the failure to act quickly. Throughout, we have had a reactive policy from the Government. This is the first time that they have been prepared to look comprehensively at what has been a deepening crisis. The package was not the product of several weeks of hard work, still less months, and one has only to look at the Treasury press release to see how thin it is. It is absurd—in fact, it is an insult to the intelligence of us all—that the Chancellor and the Prime Minister should suggest that it was the product of a lot of deep work.

So we are left with a lot of questions that now need to be answered. My hon. Friend the Member for Fareham (Mr. Hoban) asked quite a lot of them, but I will add a few in general terms. First, is this really a voluntary scheme, or were the banks, as appears to be the case, dragged to the table to agree to it? What will the Government do if the full £25 billion window is not taken up? There is first-mover disadvantage to taking up such deals. The banks that ask for the money are perceived by the markets to be made weaker as a consequence.

Secondly, will the facility be drawn down and will it be allowed to be drawn down primarily by the weakest banks? Will there be limits as a proportion of market capitalisation for each bank? There are great risks to the taxpayer from pouring most of the money into the weakest banks. The upside for the taxpayer will obviously be much smaller, but, on top of that, the strengthening of the balance sheets, and therefore the propping up of the management of the weakest banks, might get in the way of the consolidation of the banking industry, which is what we need. We need the sector itself to run that consolidation around the management of the strongest and best banks. For those reasons, in Monday's edition of *The Times* I advocated a comprehensive scheme in which the Government would take a stake across the whole sector.

The third question revolves around shareholder activism. I strongly support greater shareholder activism in the corporate sector—the hon. Member for Leeds, East alluded to that—which should include oversight of compensation and small business lending. Should the Government be involved in that process? I would much prefer them not to be. I would like them to commit to handing all the corporate governance functions and aspects of the package to the Financial Services Authority.

Furthermore, I would like the Treasury to make it clear that in exercising that shareholder influence the FSA will act on the same basis as all shareholders—that is, long-run profit maximisation. The reason for that is

[Mr. Tyrie]

something we should not forget: the health and prosperity of those banks represent the country's savings and pensions. The last thing we want is the recovery of the banks, which will come, to be suffocated by politically inspired excessive regulation.

That brings me to another issue. We have heard a lot of vague talk about more regulation. We do not want to find ourselves being drastically over-regulated by a panic response. Furthermore, it is quite possible that the United States will engage in exactly that overreaction. We should ensure that we are well placed to benefit from it. That is what happened over Sarbanes-Oxley—we picked up some of the listing business. It is what happened many years ago over what was known as the interest equalisation tax, which enabled the eurodollar deposit market to come to the UK. Regulation needs to reflect the lessons of the crisis, but it also needs to have in mind the fact that there will be opportunities in the recovery phase for the UK and for UK businesses. That recovery phase will come.

The fifth question is, what will be the criteria for judging whether the Government's package is a success? The Government should give us confidence, and give confidence to the markets, that we know how to measure that success. They should also give us some indication of contingency planning for what we would do if it turned out that those criteria were not being met. I could throw out a few examples, but obviously I am not trying to devise anything remotely full or comprehensive. Will it be a return to normality in the inter-bank market or the commercial paper market, or in relation to commercial lending generally? We need to be given some indication of what constitutes a return to normality. The absence of guidance on what the Government would do in such circumstances has been damaging the markets further in recent weeks, prior to the announcement of the package.

I would like to raise a number of other issues, but I shall raise only one to enable other hon. Members to speak, although I suspect I may burn up the remainder of my speaking time. The issue of lower interest rates has already been mentioned today. The half-point cut is welcome and I completely agree with the criticism made by the hon. Member for Leeds, East of the policy of the Liberals: at the first sign of difficult anti-inflationary gunfire, they want to start to tear up the system that has been put in place. That is what it would mean if we were to alter the inflation target.

On the other hand, although I do not make a habit of trying to second-guess the MPC, I do not think that they have got it right this time. Interest rates should always be set at the equilibrium point between a balance of risks. We can easily ask ourselves what those risks are at the moment. Is the risk of a sharp economic downturn, and the accompanying monetary contraction, bigger or smaller than the dangers of deeply embedded and prolonged inflation? That is the choice that the MPC needs to consider. I think it is clear that the balance of risks lies on the side of the danger of contraction, and that points to lower, not higher, interest rates. Cuts can always be reversed if the economy recovers quickly and confidence returns, and if there is a return to a risk of embedded inflationary expectations.

However, that is not the crucial issue for the country at the moment. The crucial issue must be to get through this crisis by showing vigorous Government action—whatever is required to ensure that confidence returns to the banking sector. I strongly welcome the package, but I regret that it has come so late, and only after strong pressure, especially from the Conservatives—over the weekend, and in some detail in the press on Monday and elsewhere, completely contrary to what the Liberal spokesman suggested. The Government must now start demonstrating that they are doing far more of the contingency planning to bring confidence to the market than they have shown in the previous 14 months of this deepening crisis.

1.31 pm

Ms Diane Abbott (Hackney, North and Stoke Newington) (Lab): Obviously, the whole House welcomes the financial rescue package, but it is not the end, or even the beginning of the end, of stabilising our financial and business worries. It is the beginning of the process. The House and Select Committee system will have to continue to question Ministers on many issues, some of which have been raised this afternoon.

There is a lot of talk about individual bankers and their greed, and a lot of talk about toxic assets, as if they were meteorites that came from outer space and landed in the vaults of the financial institutions. I will not talk about individual greed, although it is attractive to do so, because the real issues are structural and institutional and relate to the regulatory system.

In the 1990s I served on the Treasury Committee, and we conducted a major inquiry into the collapse of Barings bank. The reason why Barings collapsed was not that Nick Leeson was greedy or even a criminal, but first because he was trading in derivatives, which no one in the management of the bank understood. They were quite happy for such trading to go on, however, as long as they could trouser their bonuses. Barings folded because of trading instruments that people did not understand and failure of management controls. In that instance, Nick Leeson was not just a trader but covering the back office. The lessons of the collapse of Barings—that management should understand what they are trading and making their profits in, and the lesson about management controls—have not been sufficiently learned.

On the question of regulation, although my right hon. Friend the Prime Minister did many wonderful things as Chancellor of the Exchequer, the tripartite system of regulation, with the FSA, the Bank and the Treasury attempting to regulate the banks, has not been a success. One does not have to be an economist or an investment banker to know that if three sets of people try to do something, it will not be done effectively. It is time to revisit bank regulation; it should not be more complicated or onerous, but more effective.

I remember taking evidence from the Bank of England regarding the collapse of Barings and then BCCI—Bank of Credit and Commerce International. We rather mocked the Bank for its notion of regulation, which was, "We're all good chaps in the City of London. We have you in for a nice chat, you reassure us and we send you away again." Banking regulation has moved on slightly from that approach, but perhaps not as far as we would like.

There is a case for more scrutiny, and to reopen the issue of audits. Many of the banks that are now collapsing have been audited in the past 12 months. The auditors did not reflect any problems with underlying asset values in their audit. When we ask auditors about that, they say that they go on what they are told—if they are told that the asset is worth a certain amount, that is what they put in the audit. If the audit process just allows the big five audit companies to make a lot of money by going through a process, but gives no real information to the public or politicians as to the underlying health of the company, there is something wrong. Such audits are not aiding transparency, regulation or public understanding.

This view will be extremely unpopular, but I am the only person in the Chamber, and one of the few Members still in Parliament, who voted against independence for the Bank of England in 1997. I voted against it because of just this eventuality. The history of the Bank in past financial crises, going all the way back to the 1930s, is that when it is asked to choose between bearing down on inflation, and the growth and health of the real economy, it has always chosen to bear down on inflation. That is the danger of an independent Bank of England, about which I spoke 10 years ago. An independent Bank of England that chases inflation above all is marvellous when the going is good. When the going is bad, however, we will see why some of us would not vote for such independence.

Ann Winterton (Congleton) (Con): The hon. Lady makes an interesting point. Does she not agree that when the Bank of England was made independent, certain of its previous powers were transferred to the FSA? Does she believe that the FSA has acted in the meantime, as it ought to have done, to ensure that the banks had sufficient reserves?

Ms Abbott: It is an interesting question. Historically, the FSA has not been an effective regulator, and the House will have to return to the matter.

I want to comment on my Prime Minister's economic war council. With 28 people gathering as a war cabinet for economic crisis, it is very impressive. For my taste, however, it is overbalanced towards investment bankers, hedge fund managers, former investment bankers, and people who would like to work in investment banks when they finally leave politics. I put it to the House that wonderful as investment bankers are, we need a more balanced source of advice if we are to move forward in this financial crisis. Of course they will suggest that we pour money into the investment banks. As many Members have said, however, there are other issues that our constituents will ask us about when we return to our constituencies over the weekend.

I am still concerned about the situation of parts of local government that have big holdings in Icelandic banks. It is well and fine that investment bankers are happy with the financial rescue package, but if my constituents or those in other parts of the country find that their services or day-to-day expectations of local government are threatened because the Government are unwilling to support local government in this situation, their love for the financial rescue package will start to drain away.

I was not satisfied by my right hon. Friend the Financial Secretary's answer on the question of repossessions. One of the reasons for our financial problems is the housing bubble in both America and Britain. Ministers need not console themselves that we did not sell sub-prime mortgages. What is a mortgage for 125 per cent. of the value of a house but a sub-prime mortgage? Our constituents will not understand if we can throw billions of pounds at bankers, but can offer people in danger of losing their homes nothing more than the hope that their mortgage holder might be a bit kinder or nicer. We must put in place a practical scheme to make sure that our constituents do not face a rising tide of repossessions while the investment bankers sit back, recapitalised by the taxpayer but under no pressure whatever to resume lending, either to each other or to small business, and certainly under no pressure to have a more long-term and constructive approach to the issue of repossessions.

The availability of loans for small business has been mentioned. I tell the House that the financial rescue package will soon turn into a joke if small business continues to have its current problems with getting bridging finance and finance generally. The possibility of bringing forward public sector spending on housing was raised yesterday. We have promised £8 billion of such spending; why can it not be brought forward? That would do a great deal for the real economy.

I believe that the financial rescue package is right and important, but I also believe that there are many other issues about which our constituents will ask us in the coming weeks and months, which will need to be raised and pursued both on the Floor of the House and in Select Committees. One of the most amazing features of today's debate, meanwhile, has been to see the Liberal Democrats trying to occupy a position to the right of the Tories on City bonuses. I have to tell them that not even the City is defending the current City bonus regime.

We are facing the most serious economic crisis for a lifetime. I hope, as a Back-Bench Member of Parliament, that I shall be able to play my part in the debates and discussions, and I hope that we can arrive at a real and lasting resolution of the crisis in which we find ourselves.

1.40 pm

Mr. Peter Lilley (Hitchin and Harpenden) (Con): I draw the House's attention to my interest, as in the Register of Members' Interests.

It is a privilege to follow the hon. Member for Hackney, North and Stoke Newington (Ms Abbott). She referred to a speech that she made in a banking debate 10 or so years ago, which is one of the very few speeches from 10 years back that I still remember. It was as distinguished as was her speech today. She was right to say that we face a very serious problem.

I shall try to be brief in making a number of assertions. The first is that recession is now inevitable, but depression is still avoidable. There has never been a 1930s-style depression when the stock of money and credit has been maintained, and I therefore welcome the measures taken by the Government to prevent the contraction of credit and money that would have occurred if there had not been an injection of public money into the banking system to help recapitalise it. My second assertion is that while it was right to put in public money and take a

[Mr. Peter Lilley]

public stake in the banking system, we should seek to maximise the return to the taxpayers from that money, and maximise the private contribution of new capital to the system.

Members may find it slightly odd that I should support what is effectively partial nationalisation of the banks, about which the Chancellor of the Exchequer appeared rather sheepish yesterday. In fact, I am the last Conservative Minister ever to have nationalised anything, albeit in a rather different sort of crisis: I nationalised all the Iraqi-owned assets after Iraq invaded Kuwait. In an emergency it is necessary to take drastic action, and it is essential for the Government to prop up the whole structure of credit, which exists only because Government allow fractional reserve credit banking and stand as lender of last resort.

We need, however, to maximise the return to the taxpayer and maximise the injection of private capital into the banks. I am therefore puzzled that, in terms of maximising the return, the Chancellor of the Exchequer is proposing preference shares rather than convertible preference shares. If he had insisted on convertible preference shares, if and when, as we hope, the banks are restored to health and vigour and the economy likewise, the public sector would have seen a recognition, in the form of a profit, of some of the good that it had done. By failing to make the shares convertible—perhaps it is not too late to do so—the Chancellor of the Exchequer has deprived taxpayers of some of the profit that they could have made. If we had convertible preference shares, he would also be right to encourage the private sector to put in money instead. If the banks would prefer to have private capital coming in on the same terms, they should be allowed to do so. I should like the Chancellor to consider that.

Of course, there is always a trade-off between the conversion price and the coupon that is paid. However, if that means that a slightly lower dividend is paid in return for a share of the profit at the end, that is a good thing in itself. We want to restore the capital base of the banks by retentions, rather than by paying out dividends, as much as possible.

I welcomed the Chancellor's statement that he was prepared to help to underwrite private capital injections. If he does so, I suggest that he take up the idea that I proposed last Monday that additional capital put in now should be given privileged status in the event of an eventual bank reconstruction, and not written off in the same way as old capital. That may indeed be what he is referring to when he talks of underwriting the injection of new capital.

We need to learn the lessons of experience abroad. Some of the best lessons—they involve some of the greatest problems and some of the worst mistakes—can be learnt from the experience of the Japanese, who have undergone a prolonged banking crisis over the best part of 14 years. The lessons there are, I believe, that delay and dithering, a grudging injection of the minimum amount of help rather than help commensurate with the size of the problem, and a piecemeal, bit-by-bit approach, all undermine the impact of any measures that are taken. It is regrettable that we have waited as long as we have before taking this very substantial step, which, as I have said, is one of the Chancellor's measures that I welcome.

Eventually, the Japanese had to adopt all the weapons available to them: not just recapitalising the banks as we have done and not just injecting liquidity as we are doing, but moving non-performing loans off the balance sheet into a separate institution. I hope that that will not be necessary, but as the hon. Member for Hackney, North and Stoke Newington pointed out, it is a mistake to assume that all bad loans are over in the United States in sub-prime mortgages. There will be bad loans in this country, because many loans are backed by real estate and property values that have fallen dramatically and may fall further, and if we do move into recession many may begin to under-perform for other reasons.

Mr. Andrew Pelling (Croydon, Central) (Ind): Is not one of the key solutions moving all the bad debts off the banks' balance sheets? The real problem in Japan was a great reluctance to do that, which held the Japanese economy back for many more years.

Mr. Lilley: That is exactly the point that I was making. We may have to consider doing likewise, in addition to the things that we have already done.

The Japanese also had to extend a guarantee to all individual deposits. I find it incomprehensible that the Government have not done the same, although implicitly they are offering to do so; they extended a guarantee to all individual deposits in Northern Rock and Bradford & Bingley, which they have now extended to Icesave, or whatever it is called—the iceberg bank. If they can extend such a guarantee to a foreign and rather dubious bank, it is odd that they should not extend it, for a limited period, to all depositors in this country.

The final thing that the Japanese had to do was cut interest rates drastically. I agree with my hon. Friend the Member for Chichester (Mr. Tyrie) that the Bank of England needs to recognise that in these circumstances interest rates may need to be cut further and faster than ever before. In Japan they had to be cut to zero. We should not relate interest rates to what was necessary during a period of excess credit creation, given that we are experiencing a period in which there is likely to be excess credit contraction.

I hope that the Government will not rule out any further measures that are necessary, and I very much hope that the measures that they have already taken will be effective. They will certainly have the support of the Conservatives, but that does not mean that we will not hold them to account for getting us into these problems over the past 10 years. They must accept responsibility for that.

1.49 pm

Barry Gardiner (Brent, North) (Lab): I have only a scarce couple of minutes in which to make my speech. It may shock my constituents that I have sought to address these problems within such a short time scale, but equally I think they would consider it remiss of me not to seek to do so.

I want to focus on three key problems and on responses to them. The first is reserving policies in insurance companies, the second is the difficulties with rating

agencies, and the third is shorting in the market. I then want to look at three other issues: how the Government's proposals deal with pensioners approaching the age where they have to convert their fund into an annuity; local authorities and the need for them to have their funds safeguarded; and business interest rates.

I have been saying for many years that we need to look at the adequacy of reserving policies in our insurance companies, and I will not on this occasion add to the remarks I have made on the subject over a protracted period. To minimise the risk from the sub-prime loans, companies paid rating agencies to advise how to securitise those bundles and turn them into a higher investment grade. Often, that meant packaging them with an insurance policy to cover the expected rate of default. This was, in effect, the modern version of alchemy—turning base metal into gold. There was a clear conflict of interest, as rating agencies were paid to advise how this process of securitisation could happen when their proper job was to police it. This is one of the key issues that the Government need to address to create financial stability.

Shorting in the market is where someone promises to sell a stock they do not own in order to drive down its value in the expectation that they can then buy it at a lower price before having to deliver it to the person they sold it to at the higher price. That is how traders make money in a falling market. I call for two further changes. The seller must effect delivery of any shorted stock to the buyer within three days of the original agreement to sell. That will reduce the time in which a speculator can buy at a lower price than the original sale. Cutting this arbitrage window will discourage aggressive speculation by shorting. The second change would be to introduce a rule that allows shorting of a stock only where the price of that stock has actually risen in the pervious trading period—the uptick rule, as it has been called in America. That would make it much more difficult for traders and hedge funds to engage in a concerted and repeated market attack to drive down the price of a particular share. I hope that my right hon. Friend the Financial Secretary will consider these two solutions, and in deference to him I shall give him a couple of minutes to respond to the debate.

1.52 pm

Mr. Timms: We have had an interesting and thoughtful debate, and I welcome the broad support for the announcements the Government made yesterday. My responses will inevitably be extremely brief, but I want to confirm that the conditions that will be set for banks benefiting from this package will be tailored to the individual case. They will depend on the level and method of the support that is provided, but they can certainly include lending practices, and I agree with what my hon. Friend the Member for Leeds, East (Mr. Mudie) said about the importance of making sure that home owners and businesses are supported through these arrangements. The conditions can also include dividend payments and bonus arrangements and executive pay. In reaching agreements, any beneficiary will need to satisfy the Government that executive compensation practices are appropriate—

It being one and a half hours after the commencement of the proceedings, the motion lapsed, without Question put, pursuant to the Temporary Standing Order (Topical debates).

Mr. Walker: On a point of order, Madam Deputy Speaker. Yesterday, the Government announced they were taking £500 billion-worth of taxpayers' money to bail out the banking sector, which failed under their watch, yet today we have had a miserable 90 minutes to debate the consequences. This bail-out alone could cost my constituents in Broxbourne £750 million, the same as constituents in Burnley, Bolton, Barnsley and Bury. How can you help us, Madam Deputy Speaker, to persuade this Government to give Back Benchers from all parts of the House more time to debate and discuss these important matters?

Madam Deputy Speaker: Order. I understand the frustration of Members who have been present in the Chamber today and who wanted to make a contribution. The length of this topical debate is limited to 90 minutes, but I think it is safe to say that this will not be the last time that matters of financial stability are discussed in this Chamber in the next few weeks.

Mark Pritchard: On a point of order, Madam Deputy Speaker. On 8 October, I received a written parliamentary reply to a parliamentary question I tabled to the Under-Secretary of State for Defence, the hon. Member for Grantham and Stamford (Mr. Davies). In that reply, on the sale of helicopters to foreign Governments, I was informed by the Minister that only three helicopters had been sold to foreign Governments since 2002. On a serious point, that contradicts an earlier reply from a previous Armed Forces Minister dated 6 November 2006, in which the then Minister of State said that six helicopters had been sold to foreign Governments. Is it not concerning, Madam Deputy Speaker, at a time when our armed forces need helicopters in Afghanistan and Iraq, that Defence Ministers do not seem to know how many they have sold to foreign Governments?

Madam Deputy Speaker: Order. That is not a point of order for the Chair. The hon. Member has made his point, and Ministers are sitting on the Treasury Bench and will have heard his comments.

Defence in the UK

Motion made, and Question proposed,

That this House has considered the matter of defence in the UK.—*[Ms Diana R. Johnson.]*

1.55 pm

The Minister for the Armed Forces (Mr. Bob Ainsworth): I would like to begin by offering my deepest condolences to the families of the 10 service personnel who died over the summer in Afghanistan. We owe them, and all those who have lost their lives in conflict, a huge debt of gratitude.

As the House will know, there have been changes to the Defence ministerial team over the last week. I am very sorry that my right hon. Friend the Member for Kilmarnock and Loudoun (Des Browne) and my hon. Friend the Member for Halton (Derek Twigg) are leaving the Department. They were both dedicated and experienced individuals, with whom I enjoyed working; they made a huge contribution and I shall miss working with them. That said, we have a new Secretary of State and two new Ministers, whom I am very much looking forward to working with on the challenges that lie ahead. The Secretary of State has asked me to offer his apologies to the House for not being here today. He is making his first foray into international defence diplomacy at the NATO ministerial working group in Bucharest.

Our focus is understandably and rightly overseas, but we should never forget the enormous contribution the armed forces make at home. I welcome the opportunity to put the spotlight on defence in the UK. On my visits to military bases around the UK, I have seen for myself the pride of our people in what they do. They know they make a difference, and the public know they do as well. According to the latest polling, 79 per cent. of people think the military are a force for good in the world. We need to make sure that this good will is backed up by a level of recognition and reward that stands comparison with the sacrifices that they make on our behalf.

Defence is, obviously, focused on delivering security. With the current attention on Iraq and Afghanistan, it is easy to forget the many other ways our armed forces provide security through operations at home, such as counter-terrorism and unexploded ordinance disposal. The military provides round-the-clock military bomb disposal teams ready to defuse threats anywhere in the UK, and crack Navy and Air Force search-and-rescue crews stand ready to respond to distress calls at a moment's notice—in 2007 alone, they responded to a total of 1,793 call-outs. Over the course of the last year, Royal Navy fishery protection vessels conducted 1,311 boardings while the RAF maintained the security of UK airspace every hour of every day without failure. Whatever they are asked to do, they do it. Those conducting ongoing home operations deserve our recognition and the nation's thanks.

When it comes to our defence industry, I can say with absolute certainty that our armed forces stay world class because we have a world-class UK defence industry behind them. The purpose of our defence industry must first and foremost be to deliver capability to the front line, and we are proud of the partnership—in some cases the deepening partnership—that we have with industry to achieve that.

Mr. James Arbuthnot (North-East Hampshire) (Con): The Defence Committee visited Abbey Wood last week. It was a most valuable visit. We asked the chief of defence matériel who was in charge of the defence industrial strategy, and the answer was that it was not him. Who is?

Mr. Ainsworth: At the top level, the answer is the Secretary of State and my new ministerial friend, my hon. Friend the Member for Grantham and Stamford (Mr. Davies), who is the Minister with responsibility for defence procurement. Of course, the chief of defence matériel reports to them on all the issues concerned with the procurement of equipment for our armed forces, so the right hon. Gentleman is absolutely right to say that the chief of defence matériel is not in charge. We live in a democracy, after all, and I thought that the right hon. Gentleman and all Opposition Members understood that point.

My favourite example of procurement and deployment is the Mastiff vehicle—a piece of kit that soldiers have heaped praise on, and which was taken from the order book to the battlefield in less than 23 weeks, making a big impact on operations in a very short time frame. We need to ensure that we recreate that example again and again: sourcing what our armed forces need, ordering it and getting it out to them in theatre as quickly as possible. However, equally, we cannot take our eye off the ball in delivering for the long term.

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): Will my right hon. Friend also pay tribute to all those involved in bringing the Jackal vehicle forward as an urgent operational requirement? It is rolling off the production line in Devonport at the rate of, I think, at least one a week.

Mr. Ainsworth: That is my hon. Friend's favourite because it is produced in her constituency. I have seen the production line, and it is a very impressive piece of kit that is being brought to theatre in good time. I can understand why she is so supportive of its operation, which is providing jobs in Devonport as well as a first-class vehicle for our armed forces. She will understand why I tend to favour the Mastiff. It is produced in my constituency by NP Aerospace—an impressive and agile company that has responded very well to defence procurement demands.

Mr. Philip Hollobone (Kettering) (Con): When we debated these issues before the recess, the vulnerability of the Snatch Land Rover to attacks in Afghanistan was one of the main issues raised by the Opposition. Can the Minister advise the House of any developments over the recess regarding when the Snatch might be phased out of aggressive operations in Afghanistan and replaced with more suitable vehicles?

Mr. Ainsworth: Mastiff has delivered a high level of protection for our troops and is very well thought of, but as the hon. Gentleman knows, it is an extremely heavy truck that cannot go into many places, and there is a need for a lighter personnel carrier that can get to the places Mastiff cannot get to. We hope to bring Mastiff 2—yet another tranche of Mastiff vehicles—into theatre by the end of this year. We have ordered Ridgeback, which will come into theatre and is in the process of

being up-armoured. However, even Ridgeback, smaller though it is than Mastiff, will not provide the size that Snatch does, so what work can be done on Snatch itself is going ahead, to see whether we can get more power into the unit and therefore more speed, and more armour. That will come through in the form of a new, better-performance Snatch as soon as we are able, but I do not think that we can deprive our commanders—I know that this is a controversial issue in the House—of a vehicle the size of Snatch: not while they are telling us that they need that capability and utility in theatre.

Getting the numbers of Mastiff that we need into theatre and getting Ridgeback there to provide a smaller alternative will limit the use of Snatch to those areas where it is the only vehicle that can do the job. People need to remember that there is armour in the Snatch, and we cannot go beyond a certain point in terms of the amount of armour put into a vehicle of that size—it is just not possible. There is a trade-off between size and armour capability.

As I was saying, we need to get new equipment to our forces as quickly as possible, but we must not take our eye off the ball when delivering for the long term. From designing high-tech clothing to building submarines, defence creates or sustains about 305,000 jobs. It is a mark of the stature of our defence industry that the UK accounts for more than a third of the global defence market. During the last financial year, UK-based companies signed contracts for defence goods and services to a value of £10 billion. That demonstrates the amount of money that the sector brings into the UK economy, while maintaining key engineering skills here in the UK.

Mr. Julian Brazier (Canterbury) (Con): The Minister is being generous in giving way. May I take him back to his earlier answer, in which he made some well-judged points about the difficult trade-off between weight and protection? I draw his attention to the new, blast-resistant materials produced by companies such as Aegis, which are lightweight and work on the principle of absorbing blast rather than reflecting it, as all previous blast materials have done. The Czech army, for example, has already put it on the bottom of relatively light Land Rovers, and there have been some very successful trials, including in this country.

Mr. Ainsworth: The hon. Gentleman is right, in that we must stay at the very forefront of technological developments in lightweight materials that can do a job in force protection. What was not possible a year or so ago in terms of the amount of armour that can be provided for a relevant amount of weight may well now be possible. We must therefore look at such developments and have companies that are prepared not only to use them, but to bring them into being quickly, as happened with the Mastiff. Too often, we take too long over procurement decisions. We have to be able wherever possible to bring new developments into theatre as quickly as possible. The enemy will change and the threat will change, so we have to change as quickly and nimbly as we can to stay ahead of the game and keep our people protected.

Nick Harvey (North Devon) (LD): I know that people say that one should never ask a question in politics unless one knows the answer, but I genuinely do not know the answer to this one. The Minister explained where Mastiff and Ridgeback are going to fit in, but will he please explain where Jackal is going to fit in? I was slightly surprised by his response to the intervention from the hon. Member for Kettering (Mr. Hollobone), in which he said that there would be a more or less indefinite role for the Snatch Land Rover. I had rather assumed that it was largely to be superseded by the Jackal.

Mr. Ainsworth: Jackal provides an altogether different capability from Snatch. Jackal is a highly mobile, highly armoured reconnaissance vehicle with a level of visibility that provides protection in itself. It is a new form of WMIK—weapons mounted installation kit—rather than the new form of Snatch. As I have said, we are working on the degree to which Snatch can be up-armoured. The main problem is the amount of power that Snatch has and its ability, therefore, to pull the increased weight at anything like a reasonable speed. If we can get more power out of the power-pack, we can put on more armour, and that is being worked on now. We are looking to bring on line the new, up-armoured Snatch, which is being referred to as "the Vixen", as soon as we are able. Jackal has a different capability entirely.

Mr. Gerald Howarth (Aldershot) (Con): Before the Minister took the interventions about armoured vehicles, he was referring to the extraordinarily successful export record of Britain's defence industrial base. Does he accept that that superb record was achieved in large measure thanks to the assistance of the Defence Export Services Organisation—an institution that was scrapped by the Prime Minister last year? Can he tell the House why, in its new incarnation in UK Trade and Investment, the word "export" has been dropped, and whether, as a consequence, he expects it to be of any use in achieving a similarly successful result for British industry in the coming years?

Mr. Ainsworth: I was interested by the furore among Conservative Members at the changes that were made last year. I have followed that through, and whenever I have got talking to people in the defence industry, I have asked them how they feel about those changes, how they have bedded in and whether people are getting the service that they need to continue to do their job. Without exception, all the comments that I have received over the past few weeks, from the many people to whom I talked at the Labour party conference and the people whose factories I have subsequently visited, suggested that the support provided by the new organisation is perfectly acceptable, quite superb and has the potential, through connections with all the trade expertise in the Department responsible for trade, that DESO would not have had. The defence industry does not feel the disappointment that hon. Gentleman suggests, and I ask him to check the facts. I have been checking them because I need, and want, to know the situation, and I have been enormously pleased with the response that I had. I invite him to do the same and to bring his reports back to the House. He might think that people feel let down by the changes that we have made, but that is not what they are saying to me.

Mr. Arbuthnot: I can only say that yesterday I was talking to a senior managing director of a very important defence company in this country, and he agreed with my suggestion that the decision was a thoroughly bad one and was damaging to the British defence industry.

Mr. Ainsworth: I could name the people to whom I have spoken, and the right hon. Gentleman could name the person to whom he has spoken. We are being given two different stories; one never knows, perhaps the same people are saying two different things. I have heard no detrimental comments from the people with whom I have raised the subject of the changes that were made. People are saying that they are getting the support that they require and that there is the potential for improved support from the new arrangements. That is the feedback that I have been given, so perhaps we need to continue this conversation with people outside the House—I am sure that we will continue it with people inside the House too.

British military training is considered to be the best in the world. No other institution in the United Kingdom provides such a broad range of high-quality training and education, which is evident, for example, in our apprenticeship delivery programme. On average, more than 20,000 people leave the armed services each year, and, overwhelmingly, they are better educated, fitter and more highly skilled, and they have a higher level of confidence, a strong work ethic and a team spirit, when they leave—no wonder they are quickly snapped up by employers.

We still have problems with our training that we need to tackle—for example, bullying is something that the armed forces and the Ministry of Defence will not tolerate. The vast majority of recruits who come through training have a very positive experience, and we act quickly to resolve the issues for the small number who experience bullying or have any other grievance. We are proud of the fact that complaints can now be referred to the completely independent service complaints commissioner, and our training establishments are subject to ongoing scrutiny by external, independent authorities. The nub of the issue is whether we can eradicate bullying entirely and still keep our training sufficiently robust, hard and challenging to prepare young people for the demands of combat. Both the Chief of the General Staff and I think that it is possible to do so, and we are committed to working towards that end.

As in all areas of defence, we continue to examine how we can improve training. The House is aware of the defence training review programme. The review will transform how we deliver specialist phase 2 and phase 3 technical training on a defence-wide basis, and, once complete, will help us to adjust to changes in demand, to make more efficient and effective use of training personnel, to improve accommodation and to make better and more efficient use of the training estate.

Mark Pritchard (The Wrekin) (Con) *rose—*

Mike Penning (Hemel Hempstead) (Con) *rose—*

Mr. Ainsworth: I am coming to the point on which the hon. Gentlemen probably want to intervene. Hon. Members will be aware that progress on defence training review package 1 has been more difficult and prolonged than expected. However, I can report that considerable progress has been made in driving down costs and towards achieving an affordable, value-for-money package 1, which is on track for an investment decision next spring, with the contract signature to come approximately 15 months later.

Mark Pritchard: As the Minister knows, the defence training review programme is the largest private finance initiative in British history. I hope he agrees that we must get defence training in this country right. Does he share my concern about the reports over the past three or four weeks about the delay in the delivery of that programme—I believe that an announcement will be made today or perhaps next week about a further delay; he just alluded to it—and, more importantly, about the rising costs? Such reports contradict the statement that he just made. The fact is that the costs have increased by £1 billion in the past six months alone. What recent discussions has he had with Treasury Ministers about those rising costs?

Mr. Ainsworth: I am aware of all the ongoing publicity about the difficulties, particularly those in defence package 1. I know that the hon. Gentleman is interested in that because of his constituency interest—

Mark Pritchard: And national interest.

Mr. Ainsworth: I am sure that the hon. Gentleman has a national interest too, but he has a particular interest in this matter and, obviously, he pursues it. I am not saying that the costs have not changed. I am saying that we still have an affordable package that is far cheaper than the alternatives, and that has been worked on over the summer. We will be able to go ahead with defence package 1 and get value for money out of those proposals.

Mike Penning: The Minister referred to bullying. I agree that the Army, in particular, should do as much as possible about that, but bullying will be there. One of the areas about that I am worried about is recruit-on-recruit bullying, especially among training regiments. Many years ago, when I came through basic training, there were trained soldiers in the barrack rooms during the night. The Minister is aware of that, and I have also raised this issue with the Secretary of State. If one visits a training regiment these days, as I know the Minister has done, one finds that the instructors go home to their families and loved ones, and there are few experienced soldiers in the barrack rooms at night, and the bullying often takes place when recruits think that they are a little more senior. As so many of our armed forces who have received some minor injuries and some serious injuries still want to stay within the military, surely it would be sensible to bring those experienced soldiers back into phase 1 and phase 2 training to provide the sort of mentoring that we need to stop the bullying.

Mr. Ainsworth: The hon. Gentleman is obviously right; it is as important, and perhaps more so in some instances, to provide a safe environment in our training establishments at night as it is to do so during the training practice that goes on during the day. A big part of doing that lies in getting the estate right; we need to make the configuration of the training accommodation appropriate to a safe environment. He takes a huge interest in this issue, so I commend him to look around some of the new accommodation that is provided at Pirbright, where there is a safe environment that provides people with oversight during the night as well as during training hours. He knows that bringing the defence estate up to an adequate level—I shall return to this

point later in my speech—is a massive project that will still take some time, although building has been going for some time. We need to deal with this issue; we need to get our priorities right; and we need to ensure that we eliminate bullying, no matter where it comes from, be that from instructors or peers. In the process of doing so, we must not lose the rigours of the training regime. If we lose those rigours, we will not turn out the people for the highly dangerous environments in which we expect them to work, to stay safe and to stay alive.

The armed forces constituency across the UK, including veterans, families and the armed forces, numbers about 10 million people. That broad constituency is part of the fabric of this nation, and enriches life in Britain immeasurably and in a variety of ways. As a Government and a nation, we have asked a great deal of our armed forces recently, not least in Iraq and Afghanistan—and they have delivered. So it is right that we give them all the support and recognition that they deserve. That was the theme of the national recognition study, carried out with his customary skill by the new Under-Secretary of State for Defence, my hon. Friend the Member for Grantham and Stamford who has responsibility for defence equipment and support. He reported in May this year and highlighted a range of ways in which the country can do more to show appreciation and to recognise the huge debt that we owe our armed forces. I am pleased that since that study was launched, we have seen an increase in the number of military parades through towns, as well as a number of other initiatives, such as free tickets to football matches and discounts at cinemas. Individuals are finding their own ways to show their gratitude. That is to be welcomed and appreciated, and it is probably past time that we reached that position.

Bob Russell (Colchester) (LD): I associate myself with the condolences in the Minister's opening remarks. In my constituency, 16 Air Assault Brigade has lost 11 soldiers in Afghanistan. I also endorse his remarks about the proper level of support for our armed forces. Will he or one of his ministerial team visit my constituency to see the married quarters? While the new Merville barracks for the single soldier are the best that can be provided, I have to say that—as a direct consequence of the privatisation of Army housing by the last Conservative Government—the condition of the family accommodation and the play areas, and the inadequate policing now that MOD police numbers have been cut, are causing serious concern. If retention is important—and it is—that issue needs to be addressed.

Mr. Ainsworth: I try to get round as many establishments as I can, and I will continue to do so now that Parliament has returned, as I did over the summer. The Whips and parliamentary business allowing, I shall get round to as many establishments as I can, and I hope that that will include the one that the hon. Gentleman mentions. I shall come to issue of accommodation shortly, and I do not think that my comments will be very dissimilar from his.

Recognition of our armed forces is not enough. Our most valuable asset in defence is our people. The men and women of the British armed forces are person-for-person the best in the world. They provide security for the nation and accept the unique demands of service. Most markedly, they accept the risk of death or serious harm as part of their job. So it is vital that we do all we can, not just within the MOD but across Government, to ensure that those who serve are not disadvantaged by virtue of what they do. This will in some circumstances call for degrees of special treatment for those who need it.

That guiding principle underpinned the Command Paper launched in July. We pledged more than 40 cross-Government initiatives to improve support to our armed forces community. For example, we are doubling the maximum, up-front lump sum compensation for the most seriously injured to £570,000. That is on top of—although the media too often forget it—a tax-free, index-linked guaranteed income payment, which can take the total value of a settlement to in excess of £1.5 million over the course of a lifetime.

I was also pleased to see that most of the recommendations made by the Forsyth commission were already in our Command Paper—after all, imitation is the sincerest form of flattery.

Mr. James Gray (North Wiltshire) (Con): On the question of compensation, especially for those who have been killed, will the Minister consider the anomaly that those who have been bereaved are not paid that compensation until after the inquest has been concluded, which may be a significant length of time after the death? Is not there an argument for paying compensation to the families immediately after the death, with the higher amount being paid after the inquest is completed?

Mr. Ainsworth: The armed forces compensation scheme is for people who are injured, not those who are killed. Separate arrangements are in place for compensation in some circumstances when people have died on service. The armed forces compensation scheme seeks to pay out as soon as is reasonably possible after a proper assessment of the level of injury. The hon. Gentleman will accept that the level of injury may not be immediately apparent, and we therefore need a proper assessment of that before we can compensate the person for it.

The hon. Gentleman is talking about death, for which we need a process to establish culpability. We have tried, where appropriate, to accept culpability so as not to delay the decision further and increase the trauma of the families of those who have lost their lives.

Mr. Gray: I am grateful to the Minister for giving way, as I did not explain myself clearly. When a member of the services dies, a standard amount—I think that it is £40,000—is always paid to the bereaved family, but it is delayed until the end of the inquest. Could we not pay that standard amount as soon as a death occurs, with any uplift arising from the result of the inquest being paid later?

Mr. Ainsworth: I will talk to the hon. Gentleman later and ensure that we are doing what we can. I understand his request, and if our actions are inappropriate, we will seek to address that.

Mr. Brian Jenkins (Tamworth) (Lab): On a similar point, is my right hon. Friend satisfied that the individual and the family are supported appropriately before a compensation settlement is reached?

Mr. Ainsworth: The truth is that I am not satisfied and, as my hon. Friend knows, we have done a fair amount of work to try to improve the support that we give to the families of our bereaved servicemen. We have made many improvements and put some resources into that. We have not got it right, because there is more that we can do to offer that support, and we are looking at it all the time. We have sometimes allowed the process to take too long and sometimes we have even caused the delay. That only adds to the upset and the bitterness that families feel when they have lost someone close to them, so we have to improve and do as much as we can. My hon. Friend draws attention to an area on which the MOD must keep working.

We are now working across Government to implement the promises that we made in the Command Paper. We have formed an external reference group, with members drawn from Government, the devolved Administrations, charities and academia, which will report formally to the Prime Minister, and through him to the public, to ensure that we honour the military covenant not just now, but down through the years. In pursuit of this, we have done much more over the last year to improve the lot of our servicemen and women. We have increased the commitment bonus to a maximum of £15,000 and increased the operational allowance to £2,300, improved the longer separation allowance, and invested in Headley Court to the tune of £24 million. We have extended Defence Medical Services to reservists on operations. We have introduced child care vouchers, achieved better access by service personnel to the key worker living scheme, arranged free post at Christmas for parcels, awarded above-inflation pay rises and brought in council tax relief for those on operations.

We plan to do more in the future. We are establishing a military ward in Birmingham's new hospital and rolling out the community mental health services for veterans. For families, we are disregarding compensation payments for the means test on home adaptation grants, providing additional accommodation for service leavers at risk of homelessness and removing disadvantage when it comes to access to schools. We will give service leavers with more than six years in the forces their first A-level course or even a degree course with no tuition fees. We will extend concessionary bus travel to seriously injured personnel and veterans.

Our initiatives have led the Royal British Legion to say:

"The Covenant is being brought back into balance".

That is all a far cry from the bluster and hyperbole of the Forsyth commission. The commission's report was 40 pages long and made no real commitments—well, they were few and far between. It was a huge retreat from the commision's interim report and it deservedly sunk without a trace.

Mr. Tobias Ellwood (Bournemouth, East) (Con): I do not want to get into the debate about the Forsyth commission, but it mentioned the importance of Headley Court, which was mentioned by the Minister, and I think that the whole House would pay tribute to the hard work that takes place there. Questions were raised about the swimming pool, which is an important part of the rehabilitation process. Will the Minister use this opportunity to update the House on what is happening about the advent of a swimming pool as a facility at that location?

Mr. Ainsworth: The hon. Gentleman knows that the money was raised by Help for Heroes and that they have now completed that fundraising. There is no reason from a finance point of view for any delay, and just the detailed work—such as that to do with regulations—and the construction work needs to go ahead in order to provide a swimming pool at Headley Court. The Government are providing £24 million to secure the development plan for Headley Court over a 10-year period, providing all the other rehabilitation facilities that are needed.

I hope that the hon. Gentleman would agree that although people sometimes say that we should not rely on charity, it is important not only that we fund the facilities adequately as a Government through the taxpayer but that we attract and encourage charitable contributions. Help for Heroes has done an amazing job to fund the swimming pool at Headley Court. That organisation and others, such as the Royal British Legion and the Soldiers, Sailors, Airmen and Families Association, ought to be congratulated and nurtured. They ought to be helped to continue to make the fantastic contribution that they make.

Accommodation was one of the issues addressed in the Command Paper, and I would be the first to admit that not all our accommodation is what it should be. After decades of under-investment in the defence estate, the Government have built or upgraded more than 29,000 units of single living accommodation since 2003 and upgraded nearly 13,000 service family homes since 2001. We will invest a further £8 billion in service accommodation over the next 10 years.

In the Command Paper we also pledged to improve access to the property ladder for our people and for those leaving the forces, so I am pleased to tell the House that there is a team working on proposals to address those issues that will report by the end of the year. The Prime Minister has already announced a £20 million pilot scheme to promote home ownership, which is to be launched in 2009.

Bob Russell: Will the Minister confirm that all that public money is being invested in housing stock owned by a company that acquired Ministry of Defence housing in 1996, privatised at a price way below its value? In 10 years, the Government have spent more money in rent than the previous Government received in capital receipts, and all that public money is further enhancing the property value of Annington Homes rather than benefiting the public purse.

Mr. Ainsworth: The hon. Gentleman is right that the deal that was done by the previous Government has left us a legacy that we have to work with. The overwhelming majority of our service family accommodation was sold off and we are now renting it back from Annington Homes. The money was taken and most of it did not go into the defence budget; it was taken by the Treasury before the 1997 general election. However, we have to live with the circumstances as they are. We have to work with Annington Homes and with anyone else who can help not only to improve our accommodation but to provide opportunities for our service people to get into home ownership. Despite some of the difficulties in the housing market in this last year, that is an aspiration that most of our people have and we must do as much as we can—with Annington Homes or with anybody else—to try to meet that aspiration.

Opposition Members are not short of words on what more we need to do to look after our armed forces, but it is this Labour Government who have actually delivered for our forces. We have provided better equipment, better pay, more compensation, and improved health care. We have upgraded accommodation, which the Opposition sold off. We do not talk about what needs to be done; we get on and do it. Everything that we have debated—accommodation, support, training and pay—has an influence on recruitment and retention.

The latest figures on recruitment give some encouragement. There has been an 11 per cent. increase in the number of new recruits joining the forces in the 12 months up to June 2008, and there has been a 12 per cent. increase in the number of recruits joining the trained strength. The number of people leaving the trained strength has fallen by 1.4 per cent. in the past 12 months. On 1 August 2008, the full-time trained strength of the armed forces was 173,470, against a target of 179,160. That is 96.9 per cent. of the requirement.

Hon. Members will be aware that our people are working very hard, and some are deploying more frequently than any of us want. Obviously, that is not ideal, but the service chiefs have said that the current situation is manageable. For a number of specific groups in each service, including the Royal Marines ranks, the Army infantry, and RAF firefighters and engineers, manpower shortages create significant pressures. Measures to reduce those shortages include recruiting bonuses targeted at shortage areas, re-engagement bonuses, restructuring to spread the load more evenly and an enhanced operational welfare package. There is still some way to go before the situation is fully rectified, but we have made progress and will continue to do so.

A last word on harmony: as we move to a new role in Iraq, harmony will improve. I do not want to get into a debate on exactly when that will be; suffice it to say that in the medium term the decrease in our military commitment in Iraq will considerably ease the current stretch on our armed forces.

Mr. Ellwood: I am grateful to the Minister for giving way a second time. About three weeks ago, I had the opportunity of visiting Afghanistan and listening to concerns about the Apache aircraft. As many of us will be aware, the concern is about a shortage not of aircraft, but of pilots. That came through loud and clear. We have 67 Apache aircraft. We could send them all out there, but they would not fly, because there are not the crews to man them. That message must be driven home. What is the Minister doing to expedite the training of crews, so that more of the Apache aircraft that are sitting dormant, or being used for training purposes in the UK, can be shipped over and used in Afghanistan?

Mr. Ainsworth: We need to watch closely our ability to recruit and retain pilots, among other groups. I refer not only to helicopter pilots, but fixed-wing aircraft pilots. There is—or has been in recent years, in any case—a very buoyant civil aviation industry that pulls our people out earlier.

Mr. Ellwood: So what are you doing about it?

Mr. Ainsworth: I have reeled off a list of things that we have done to try to address the recruitment and retention needs of our armed forces. The Government will keep them under review and will respond to the needs as and when required. We have done that, and will continue to do that.

Mr. Brazier: I am grateful to the Minister for giving way yet again. There is not a single class of helicopter used by the US armed forces that does not have reservist crews, many of whom work in the dynamic aviation industry that he mentions. The US armed forces are able to rotate those reservist crews into operational theatres without moving the machines; the guys just fly out and take over the machines that are over there. Surely we should expand our aviation reserves, and not, as is planned, reduce both the Royal Naval Reserve and the Army aviation reserve.

Mr. Ainsworth: I was about to move on to the issue of reserves. As the hon. Gentleman knows, we have commissioned a study about how best to use our reserves.

Based at nearly 400 locations across the UK, our reservists create and maintain important links between the armed forces and the wider community, in addition to making a huge contribution to current operations. Since March 2003, more than 17,000 reservists have served on operations around the world. They make up 9 per cent. of British armed forces in Afghanistan and 4 per cent. of our forces in Iraq. They are a significant part of our front-line capability, and in every way a force for good. They not only add power and expertise to our regular forces, but take the skills and abilities that they learn in defence into their civilian roles, adding to our front-line capability as well as our economy.

Since April this year, we have been conducting a strategic review of reserve forces, and the report to the House is due later this year. The aim of the review is to shape reserve forces so that they can better support front-line operations now and in the future. The hon. Gentleman has co-operated with that review; I know that he is hugely interested in the reserves. His points about niche capabilities and whether we can use the reserves to a greater degree will be taken into account. We will seek to expose those issues in the reserve review and exploit the capability out there.

I want to remind the House that across the UK there are about 132,000 cadets and 26,000 adult volunteers. Cadets belong to one of the largest youth organisations in the UK, second only to the scouts. Cadet schemes offer our young people a broad range of experiences and are recognised for giving young people ability in leadership, self-confidence, a "can do" ethos and resourcefulness.

Defence keeps our nation safe. It also adds value to our economy and invests in our people, and I have mentioned only some of the ways in which it is doing so. It is evident that we owe the armed forces credit not only for maintaining our security through operations overseas but for all that they do for us at home. The Government will remain committed to ensuring that service personnel, veterans and service families get all the recognition and support that they need. They deserve no less.

2.42 pm

Dr. Julian Lewis (New Forest, East) (Con): I join the Minister in paying tribute to the 10 service personnel who lost their lives on operations. I also wish to remember the larger numbers who have been seriously injured on those same operations.

[Dr. Julian Lewis]

Service welfare in the United Kingdom is always among the issues raised in debates such as this. Previously, the hon. Member for Halton (Derek Twigg) dealt with that topic; he was a humane and assiduous Minister, and we wish him well following his departure from Government. In his place is the hon. Member for North Durham (Mr. Jones), who has put his name to robust Defence Committee reports that have rightly described some single living accommodation as appalling and have rightly deplored operational overstretch and the consequent failure to meet harmony guidelines; it will be interesting to see how he gets on in addressing those issues.

Joining the ministerial team at the Ministry of Defence as an additional member is the hon. Member for Grantham and Stamford (Mr. Davies), in the latest twist of an eventful parliamentary career. He takes over the defence equipment and supply portfolio. In its last two incarnations, that has been held by Lord Drayson and Baroness Taylor, Members of the upper House—perhaps the hon. Gentleman is hoping that a trend in that direction is being established. The hon. Gentleman has always been intellectually independent, grounding the positions that he takes in considerable historical knowledge.

The hon. Gentleman shares that quality with the new Secretary of State for Defence, as I discovered last year in the national archives when I looked up from my researches into counter-insurgency and propaganda to see him immersed at an adjacent desk in the records of the Lancashire pals' battalions, on which he was writing a book. At least we know that the Secretary of State, unlike some other prominent parliamentarians, actually writes the books to which he puts his name. Referring to the leader of his party, of whom the Secretary of State is such a well known admirer, they do, however, have one important factor in common—they both have important shipbuilding industries in their constituencies. Barrow is the home of UK submarine construction, and it will be interesting to see how many of the eight attack submarines promised by the Government in 2004 will be ordered and built there.

The outgoing Secretary of State, the right hon. Member for Kilmarnock and Loudoun (Des Browne), deserves credit for his promotion of the case for the next generation of the nuclear deterrent, which was not an easy thing for him to do in the context of Labour party politics. Many Conservative Members often challenged him on other issues, but he always responded without rancour. It was his misfortune to fall victim to the Prime Minister's ill-judged decision to lumber him with a second ministerial portfolio at a time when the country is involved in two counter-insurgency campaigns abroad and a significant security issue at home. Every working minute of the Secretary of State for Defence should have been focused on those threats and the service welfare and procurement issues that traditionally hamper the conditions and capabilities of our forces in the field. It was not fair to the right hon. Gentleman, and it certainly was not fair to our forces in the field, that he had to spend up to 20 per cent. of his time on Scottish affairs. Never before has a Prime Minister taken such a half-baked, ill-judged and morale-sapping decision on parliamentary job sharing. Where United Kingdom defence is concerned, it must never happen again.

Listening to everything that the Minister said about service welfare, I was reminded of the famous American film, "The Best Years of Our Lives", which won seven Oscars in 1946 and had tremendous resonance with the public, both in America and in the United Kingdom. It was about the problems of re-entry into society at the end of four years of war, in the case of the USA, and six years in the case of the United Kingdom. Our servicemen and women face that problem of disconnection and reintegration into society at the end of every six-month tour. The harmony guidelines are supposed to give them 18 months between operational deployments, but we all know that that does not happen.

Viscount Slim, the victor of Burma and one of the greatest modern strategists the British Army has seen, once did a radio talk in which he compared people drawing on courage with drawing on a bank balance—although I do not think that he had the modern conditions of British banking in mind. He said that they could overdraw from time to time but must replenish their resources. He also said that the bravest men would crack if they were not rested adequately, and yet, conversely, men who were exhausted but were rested adequately could go back and win the highest awards for valour.

Last night, I viewed a recording that I had made of a BBC3 programme from two days ago. It was about a lance-corporal in the Grenadier Guards who was described by his company commander as, "Fearless, occasionally to the point of recklessness, but a very brave young man." The Army deserves great credit for allowing the BBC access, in Afghanistan and back home, to what was going on in that company. The BBC likewise deserves credit for its sensitive and objective presentation. The young lance-corporal ended up, on the self-same day, being congratulated on the mention in dispatches that he had been awarded for heroism under fire, and losing his rank for disciplinary offences that he had committed on his return home. He had done four operational tours in his five years in the Army—so much for the harmony guidelines. When service personnel return to the United Kingdom, they need understanding, support and conditions of accommodation that reflect the regard in which they are held by society. Great improvements have been made for those damaged in body, but not enough yet for those damaged in mind, particularly those who could become damaged in mind when subjected to inadequate facilities and unnecessary pressures on their return to the UK.

The lance-corporal I referred to has now left the Army, but I know of another who aims to serve his full 22 years. He took part in the initial campaigns in Iraq and Afghanistan, and he has since done a third tour lasting seven months—not six—in Afghanistan. Now back in the UK, he has spent time in the Browning barracks in Aldershot, where the toilet blocks stink even when the lavatory pans are not blocked with sewage, and where the corridors are overheated whilst the rooms are freezing cold. His weekend get-you-home pay is supposed to give him £270 per month. Sometimes it is paid when it should be, but sometimes nothing comes through for three months at a time. That unevenness causes him, often unwittingly, to dip into the red, and thus incur punitive charges on every direct debit and every other transaction on his bank account.

The Parliamentary Under-Secretary of State for Defence (Mr. Kevan Jones): I am sad to hear about the case to which the hon. Gentleman refers. Would he send me the details of it, so that I can take it up?

Dr. Lewis: I am delighted that the Under-Secretary is getting off to such a good start. I shall certainly do that, and I will be very pleased to see if he is able to do something to put that situation right. My point is that bank charges of that sort are irrecoverable. The man in question has not complained to me about it, but his partner has. She said:

"It eats away and eats away at you—until you say, why the hell am I bothering?"

The welfare of our armed forces personnel is not really at issue between the parties. The Government, as we have heard, produced a study and a Command Paper. I hoped that the Government would acknowledge today that pressure from the Opposition parties encouraged them to take some of the measures that they have. My party leader has consistently recommended tax concessions for service personnel when they are on the front line, and he set up the Forsyth commission on the military covenant, which achieved a considerable measure of publicity for its recommendations. It slightly lowered the tone of the debate for the Minister of State to say some of the things he said about a body on which served people of the calibre of Simon Weston and Stuart Tootal. Those people are not party political. They served on the commission because they wished to do good for their comrades, and I am very disappointed about some of the remarks made about their efforts.

Mr. Brazier: Interrupting my hon. Friend's excellent remarks, would he like to put it on the record that several of the recommendations in the commission's interim report have since become Government policy?

Dr. Lewis: Of course they have. The Minister says that most of the things in the commission's report were already going into the Government's report. We can argue about that until we are blue in the face, but we ought to be above such a tit-for-tat approach. The fact is that the Government have the responsibility to do things, and the Opposition have the responsibility to try to get them to do things, and when the process works as it has in this case, it ought to reflect credit on the Government and the Opposition for doing their respective jobs.

Linda Gilroy: I know that the hon. Gentleman is in many respects a very fair person, and that he would want to pay tribute to the British Legion for its part in bringing about some of the changes. Pressure has come from all quarters. Does he agree with his fellow shadow spokesperson, the hon. Member for Woodspring (Dr. Fox), who as recently as 14 September said, of the few things identified as extra in the Forsyth report, that as far as the Conservative party is concerned:

"It's a matter of priority within the budget".

Dr. Lewis: Of course, all defence decisions are matters of priority in the budget. The report's recommendations will go to the shadow Cabinet in due course and I hope that it will consider favourably at the appropriate time those that are possible to advance under prevailing economic circumstances, which the Government have not yet taken up. As I said, the process is the outcome of the interaction between the Government, the Opposition and, as the hon. Lady rightly reminds me, all the important bodies, organisations and confederations that support the armed forces. The outcome should be improvements for our service personnel, and politicians should not argue over the spoils of who gets the credit, as long as the outcome is good.

We welcome it when the Government introduce their ideas and when they include some of ours among them. We will continue to welcome that when the parties' roles are reversed—hopefully in the not-too-distant future.

From time to time, we read about servicemen in uniform being insulted at petrol stations or servicemen out of uniform not being allowed to book into hotels. I applaud the former Under-Secretary, the hon. Member for Halton, who described it as "deplorable" when an injured paratrooper, who had flown home from Afghanistan to organise a comrade's funeral, had to sleep in his car overnight because he was refused a hotel room. The hotel's behaviour was absolutely despicable, and I am encouraged by the Minister of State's comments about the 79 per cent. support for our armed forces among the public at large. Long may that support endure. However, it cannot be reiterated too often.

I am glad that "welcome home" parades have begun to take root in society generally. My hon. Friend the Member for Aldershot (Mr. Howarth) organised one of the first, and parades now take place in the heart of Westminster and returning troops are welcomed in the Palace of Westminster. I am sure that that gives them an experience that they fully appreciate, and that they feel that it shows that all their efforts have been recognised at the centre of our democratic system.

Mike Penning: I thank my hon. Friend for his generosity in giving way. The all-party Army group organised the parade to which he refers, and it was fantastic to see the band of the Coldstream Guards marching from Wellington barracks. Does my hon. Friend know that, before the troops entered the gates, they were attacked by members of the so-called peace camp across the way? They got into the ranks of the soldiers and swore at and abused them, and there were not enough police to prevent that.

Dr. Lewis: First, I pay tribute to my hon. Friend and my hon. Friend the Member for North Wiltshire (Mr. Gray), who organised the occasion. I am indeed aware of the matter, which has been raised on the Floor of the House previously. Although Parliament is ready to tolerate the presence of demonstrations in Parliament square, the idea that people should be able to camp there permanently and behave insultingly towards those who put their lives at risk shows a cock-eyed sense of values in our society today.

Mr. Arbuthnot: Most unusually, I want to disagree with my hon. Friend. He said that he hoped that the level of 79 per cent. support would endure, but that figure says something worrying about 21 per cent. of the population. I pay tribute to the new Under-Secretary of State for Defence, the hon. Member for North Durham (Mr. Jones), for his work on support for our armed services. However, I will begin to feel satisfied when it reaches 99 per cent.

Dr. Lewis: I fully take the reproof from my right hon. Friend. He is absolutely right on that point. Of course, we are not sure how many people in that poll did not express an opinion. I hope that a lot less than 21 per cent. did not have a positive view of the armed forces. Indeed, a considerable proportion might have had no view at all. There will always be some people who have no view about anything whatever, and I suspect that their views about the armed forces are no exception, strange though it may seem.

Resources have been mentioned briefly, but I wish to spend a little more time on them. There are some problems, such as erratic allowance payments, to which I have referred, which are not about resources, but all too many are. I return, as I have on a number of other occasions, to the speech that the former Prime Minister Tony Blair made on HMS Albion in early 2007. He was looking back on his decade in power and talking about the extent to which the Labour Government had invested in defence. He said that defence expenditure had remained roughly constant over that decade, at 2.5 per cent. of gross domestic product, before adding these fateful words: if the costs of Afghanistan and Iraq are included.

That means that in that period, in which we embarked on two major counter-insurgency campaigns, we were spending 2.5 per cent. of GDP before we went into Afghanistan and, taking everything together, we were spending 2.5 per cent. afterwards. We were spending 2.5 per cent. of GDP before we went into Iraq and, taking everything together, we were still spending 2.5 per cent. after we went in.

We are told time and again that those conflicts are being funded from the Treasury reserve, but that simply sounds to me like a bookkeeping exercise. If we take one pot of money, add it to another pot of money and still come up with the same percentage of GDP being spent on defence as before we went to war, that effectively means that we are fighting two conflicts on a peacetime defence budget.

That is why the Conservatives have said that when we take power, we will have a strategic defence review, to get our commitments back into line with our expenditure. I do not know what the conditions will be when that time occurs. However, I do know that we will fully fund the commitments that we undertake or we will not undertake them. That has not been happening, which has lead to something that is dangerous for the defence of the United Kingdom and British interests more widely. That development has led to the services beginning to fight among themselves for inadequate resources. Indeed, it is even leading to a situation in which service chiefs are talking about making unacceptable choices, even within their own service parameters.

What I mean by that is that one cannot be involved at a high level in any considerations of what the Army's future role will be without hearing people talk about whether we should spend the money that we have on fighting what are called the wars of the 21st century or on preparing for high-intensity state-on-state conflict, which may or may not come about in the years ahead. Those are the sorts of choices that the Army should not have to make.

I do not want to stretch the terms of the debate too much, but it is dangerous to be in a situation where we are engaged in campaigns that are making Army chiefs think that they might have to abandon the traditional role of the Army, which is to be able to defend the United Kingdom if ever the international scene darkens closer to home. With recent events involving Russia, that is not nearly as fanciful a prospect now as it might have seemed only a year or two ago.

Mr. Brazier: I am most grateful to my hon. Friend for giving away. He is making some powerful remarks. Does he agree that the Falklands war, the first Gulf war and 9/11, which led directly to the Afghanistan conflict, were all completely unanticipated, in most cases even days before they happened and certainly months before?

Dr. Lewis: Absolutely. Now is not the time for me to go back to one of my favourite themes, the folly of the 10-year rule, which was in place from 1919 to 1933, when defence planning was carried out on the basis that there would not be a war in the next 10 years. We all know what that led to. It is in fact an exception for a state-on-state war to have been predicted a significant amount of time before it breaks out.

Linda Gilroy: Will the hon. Gentleman give way?

Dr. Lewis: I would rather not at the moment, because I am conscious that we have only a limited time for the debate, and I do not want to speak for too long. Also, the hon. Lady has had one go.

Moving on to the defence industry base, I should like to point out that Lord Drayson's welcome return to government would perhaps have been a little more welcome if he had returned to the defence procurement field in which he was doing rather well when he felt it necessary to leave government. One can only speculate as to whether he was not invited back to that position, or whether he decided that he did not want to return to it for the same reasons that he decided to leave in the first place. I do not think that that decision was entirely to do with motor racing.

The defence industrial base is of great value to the economy. Of course, there are traditional problems relating to procurement, which I do not have time to go into in any detail today. However, I would like—in a constructive way, I hope—to take one case study as an example of the sort of thing that Ministers should be thinking about in relation to our shipbuilding industry.

We know that the Government started out with a commitment to build 12 new destroyers. The number then went down to eight, and it has finally been settled at six. We know that the 1998 strategic defence review lowered the number of frigates and destroyers from 35 to 32. The number then went down to 31, then to 25. It is now down to 22. We also know that Admiral Lord West, when he was chief of the Navy, said over and over again—rather courageously, I thought, as he was still in office—that the Royal Navy needed about 30 frigates and destroyers to discharge its tasks. If we are going to have only six Type 45 destroyers, we are going to need something of the order of 24 new frigates. It will be very hard to persuade the Treasury to finance that.

Believe it or not, I think that Defence Ministers—even in a Labour Government—actually want to get the best possible deal for the armed forces, just as defence spokesmen in the Opposition believe in the very same thing. I urge Ministers to urge the naval designers, the admirals and the Ministry of Defence, when they are designing the future surface combatant, to make the vessels as basic

and economical as possible, and to get as many hulls as possible into the water. They should not make the mistake, which has so often been made in the past, of upgrading the specification over and over again, with the result that we end up with half the number of ships that we originally intended to have.

It is much more possible to achieve these aims in this day and age than it was in the past. Our naval shipbuilders—and, to some extent, aircraft designers—have now developed techniques that enable them to put a vessel into the water, or an aircraft into service, with spare capacity. Everyone knows that there is a rather large gymnasium on the Type 45 destroyers. Everyone also knows that, as and when the Government can afford it, they will acquire tactical Tomahawk missiles that can be inserted into that spare space in the destroyers.

There is another reason why the new frigates should be designed to be as basic and economical as possible, and that as many as possible should be built. It is not only to keep the shipbuilding industry alive, or to maintain the necessary number of hulls that everyone knows the Navy needs for escort vessels, but to give us a chance to export the vessels in their simpler form to other countries. When we build vessels at the top of the range from the outset, they are unsaleable to anyone else.

I wish to conclude my remarks as this is a truncated debate. I am well aware that the two conflicts abroad not only place pressure on our domestic situation, but do not exist in isolation. I alluded to the security threat at home, and the fact is that Government machinery has not kept pace with these matters. Last year's debate on defence in the UK took place on 26 April and I welcomed the creation of the research, information and communications unit, which will be taking steps to try to get the message right about the threats to the UK that arise domestically, but which are interconnected with the campaigns we are waging abroad.

The trouble is that the machinery is still not properly co-ordinated in the sense that individual Departments are trying to defend the UK in individual stovepipe arrangements. The nearest thing we have to a security Minister is someone at Under-Secretary of State level, with primary emphasis being laid on the Home Office and local government departments. We face integrated and interconnected threats in the UK and abroad, and we need a national security strategy and appropriate machinery to implement it. That is why Baroness Neville-Jones has a seat in the shadow Cabinet as national security adviser. Under an incoming Conservative Prime Minister, she would hold that post and be at the head of an organisation—a national security council—that was truly cross-departmental.

I want to say a last word about communications. This is not a debate on defence in the world, but when we read headlines at home that Army chiefs are saying such things as, "The war cannot be won in Afghanistan," it is easy to say that the Army chiefs ought to be more careful about what sort of words they use when they are discussing concepts that are nothing new at all. In reality, however, there is also a responsibility on journalists not to sensationalise things that are simply common sense.

Let me give a brief quote from the internal report produced at the conclusion of the 38-year Operation Banner—effectively the counter-insurgency campaign, if I may use that phrase, in Northern Ireland:

> "Security forces do not 'win' insurgency campaigns militarily; at best they can contain or suppress the level of violence and achieve a successful end-state. They can thus reduce a situation to an 'acceptable level of violence'...What is required is a level which the population can live with, and with which local police forces can cope."

I have put it another way when talking about these problems: in counter-insurgency, the enemy has to be identified, isolated and, so far as is possible, neutralised; but at the end of a counter-insurgency operation there always has to be negotiation with part of the enemy—the part that has been forced to recognise that it is not going to win and that is pragmatic enough to reach a settlement. I do not believe that anything that has been said about this by the Army differs in any way from that traditional approach.

I also believe that it is important that the media realise their responsibility; when our military chiefs are making perfectly sensible comments, they should not be turned into headlines saying, "Our efforts are doomed." On the contrary, our efforts are not doomed. The purpose of our efforts is to make the enemy see that they cannot win so that, eventually, the more sensible elements of that enemy can be brought into the political process.

Mr. Tobias Ellwood: My hon. Friend is making a powerful statement about one reason why we are spending so long in Afghanistan. Does he agree that the other aspect is the fact that our military is being asked to do far more than it was sent in to do? I now learn that it is working on counter-narcotics, which is far distant from what it set out to do. Most importantly, not enough reconstruction and development are happening under the security umbrella that it creates.

The situation is dangerous. The Department for International Development and the non-governmental organisations that are supposed to be operating are absent, and the international security assistance force is taking on all those tasks which are used to win over hearts and minds. That will, I hope, allow the locals to strengthen themselves and eventually allow us to go home.

Dr. Lewis: I endorse entirely my hon. Friend's comments, and I pay tribute to him for the interest that he has taken, at no small risk to himself, to ensure that he was closely acquainted with that campaign. In particular, if the environment is too dangerous for DFID to operate in, as it is, and if we are asking the armed forces to do more reconstruction, as we are, ought not the Government to consider taking some of the resources currently allocated to DFID and giving them to the armed forces to do the job?

Mark Pritchard: Does my hon. Friend agree that the Government of Pakistan need to do all that they can to ensure that al-Qaeda does not link in with the Taliban, so that those parts of the Taliban that are prepared to negotiate, to which he perhaps alludes, are fit and able to do so at the earliest opportunity?

Dr. Lewis: My hon. Friend is exactly right. As has been seen to happen as a result of the successful American grasp of counter-insurgency principles in Iraq, we will end up with a situation in which people who were formerly fighting against us accept that they will eventually

[Dr. Julian Lewis]

get their country back, providing that they break with and eliminate the unacceptable elements. We have seen that at the end of all sorts of counter-insurgency campaigns, both those that have been fought to a draw and those that have been fought to the advantage of the Government side. Ultimately, we isolate the militants and recruit those who are perhaps of a more nationalistic than militant persuasion. We end up with a compromise, which is at the heart of most democratic, and certainly all counter-insurgency, solutions.

Defence in the UK certainly involves support for the armed forces and for the defence industry, but it also involves support for the cause for which our service personnel are fighting. While civilians talk, debate and write reports, soldiers take their lives in their hands day in and day out. We owe it to them to articulate the cause for which we ask them to fight, and to give them the backing here in the UK when they come home from their dangerous operations.

Mr. Deputy Speaker (Sir Michael Lord): Order. Before I call the next hon. Member to speak, may I say to the House that a 15-minute limit on Back-Bench speeches applies from now on? Clearly, time is running out, and a lot of hon. Members are seeking to catch my eye. Therefore, if hon. Members can take less than their allotted time span, it would be most helpful not just to me but to other colleagues.

3.18 pm

Alison Seabeck (Plymouth, Devonport) (Lab): I am delighted to be able to participate in this debate following a year of silence as a Government Whip.

First, I pay tribute to those service personnel who have lost their lives in the past year, and to those—some of them severely wounded—who are recovering and trying to rebuild their lives. Some of them are my constituents. That is why the recent publication of the Command Paper setting out clearly what the covenant means, and significantly enhancing it, has been welcomed in my constituency by service personnel and their families.

However, I very much hope that the decisions relating to the increased payments set out in the armed forces compensation scheme are handled swiftly as well as realistically. There has been more than one example locally of service personnel who have suffered the loss of multiple limbs—two or three limbs—and serious trauma still not being considered for a maximum payment, or near-maximum initial payment, which has at times been difficult for people to understand. I noted the Minister's comment that the MOD has not always got it right in some cases.

Mr. Kevan Jones: As I said to the hon. Member for New Forest, East (Dr. Lewis), if my hon. Friend has specific cases that she wants me to consider, please will she feed them through to me and I will look at them?

Alison Seabeck: I thank my hon. Friend. My understanding is that the British Limbless Ex-Service Men's Association has been lobbying hard on specific cases, and I can follow up with that. It was delighted by the Government's announcements generally, but it still has concerns, and would welcome further guidance on the new scheme. I wanted to raise those concerns before proceeding to the main thrust of my speech.

The defence of the United Kingdom, and the associated industries and service personnel that support it, are essential to a city such as Plymouth, with its long and distinguished military links. Plymouthians are acutely aware of the demands placed on servicemen and women and their families, acutely aware of the risks that they take, and acutely aware of the wider importance of our industrial base and the budgetary pressures faced by the Ministry of Defence. As a result, they value and understand the nature of the work that is required to ensure that the country is kept safe and secure. My constituents none the less have concerns, which I should like to raise. I do not apologise for focusing, rather parochially, on Plymouth rather than raising wider strategic issues.

On the MOD website, Members will find three statements of aims: to be fit for the challenge of today, to be ready for the tasks of tomorrow, and to be capable of building for the future. How can Plymouth, as part of the United Kingdom defence infrastructure jigsaw, help and be assisted to meet those aims and requirements? There are—not least in the current climate, and given our commitment to operations around the globe, particularly in Afghanistan and Iraq—heavy demands on personnel and budgets. In addition, the MOD is committed to finding value-for-money savings—some £2.7 billion—which are expected to be reinvested in defence. In the light of those heavy pressures on budgets, it is not surprising that Plymouth has been facing uncertainty about the future of both the naval base and the size and role of the industrial set-up within the dockyard. That is not good for my constituents, and I do not think that it is good for United Kingdom defence or for the Royal Navy and Royal Marines based in and around Plymouth.

Rather perversely, that uncertainty has been running in parallel with huge increases in Government spending in the dockyard on its facilities, nuclear and non-nuclear, and on the residences used by the Navy, as well as on the commercial purchase of the industrial interest by Babcock International. Babcock is continuing to grow, with revenue increasing by 57 per cent. in 2007-08. That makes it one of the leading suppliers of support to the Royal Navy, and we welcome its presence in the city.

Investment in the naval base has also included the replacement of some grim living quarters by two brand-new buildings that house over 1,600 personnel: 961 junior rates, 450 senior rates and about 250 officers. That is significant, and certainly reinforces the MOD's comment in response to the 15th Select Committee report on defence estates that

"good quality housing is a fundamental part of the welfare package"

that it gives service personnel.

That investment has made a difference in Plymouth, but I should like to hear from the Minister, in the light of ever-increasing energy costs and wider climate-change concerns, how much emphasis is placed on ensuring that all new build in defence estates—accommodation and other types of building—meets the highest energy efficiency standards. The potential cost savings to the Department cannot be insignificant. I hope that the Minister will tell us that when contracts and tenders are being drawn up, the Department will, as part of its procurement process, set the highest standards to ensure that all its partners keep their energy use as low as is feasible, given the nature of the technology used. I should welcome his comments, but I hope he will not

simply say—as is said in another part of the MOD's website—that the MOD compares favourably with other Departments. I do not think that response is good enough, and I hope that the Minister can offer something a bit more positive and specific.

I suppose that all the improvements we have seen in the dockyard should have sent a signal to all involved that there was a real commitment to it on the part of all the major players. However, that is not how they were perceived, and when the naval base review was set in train and there was talk of surface work being removed from Plymouth, a few hares were set running. In response to the ongoing indecision about the dockyard's future, my hon. Friend the Member for Plymouth, Sutton (Linda Gilroy)—whom I am delighted to see in the Chamber—set up a dockyard strategy group, drawing in all the city's leaders, trade unions and Members of Parliament, as well as the regional development agency and other concerned parties, to ensure that Plymouth's concerns about the future direction of United Kingdom defence and our part in it were clarified and the future of our work force was assured. The strategy group knew that Plymouth was "fit for the challenge of today", but we needed to be sure that we were "ready for the tasks of tomorrow", and that we could sustain the skilled work force that was required to meet those demands.

On the industrial side, Babcock operates very efficiently—as did its predecessor, DML—and for that reason it has continued, in a difficult economic climate, to win a steady stream of orders. In the last year, we have also seen major work, including the completion of HMS Victorious, which has already returned to sea after her three-and-a-half year refit. HMS Ocean, currently the Navy's largest ship, is out on sea trials following maintenance at a cost of £30 million. The Royal Navy's activity in Plymouth continues to fire on all cylinders to meet the demands placed on it in theatres around the globe. HMS Illustrious—which I was fortunate enough, as part of the armed forces parliamentary scheme, to join for a "Thursday war" recently—has just completed her operational sea training and will soon be back on patrol. For the uninitiated—I suspect there are not many of those in the Chamber today—a Thursday war takes place each week in the sea off Plymouth and involves assessments being carried out on every aspect of a ship's company and their work under operational conditions by the expert team from flag officer sea training to ensure that the crew has reached a level of professionalism to allow them to perform in any type of scenario. If anyone has the opportunity of participating in one of these events, I recommend that they do so as they are eye-opening.

Even in the light of all this activity, we are still facing a pattern of future work subject to dips and troughs. That is inevitable given the improved reliability of modern warships and submarines, and so when the future of the naval base was called into question, the city and the work force wanted answers to a range of questions. We wanted reassurance that the Ministry of Defence really understood the implications of any decision it took in terms of socio-economic outcomes and the synergy that exists between the naval base, the MOD's commercial partners and the city's residents. We also wanted to be sure that the MOD was working closely with other Government Departments to—quoting again from one of its web pages—

"make a contribution in the regions".

Had it closed Plymouth, its contribution to the regions would not have strengthened its position with other civil Departments; it would have made it a pariah, leaving others to pick up the tab for the trail of socio-economic devastation which would have followed. It would also have helped to destroy the skills base that Government and defence industries in the UK depend on.

I am delighted to say that that scenario did not come about, largely because of the extensive lobbying by MPs, unions, the council and others. We made a very sound case to all the Government Departments concerned, and I must thank MOD Ministers for taking on board those wider representations. We, like other cities in the UK that are dependent on defence industries, are, however, still in limbo while the MOD negotiates with its industrial partners the terms of business agreements—TOBAs—which will set the parameters for their future work programmes. This is an unbelievably complex process where MOD and the industry are seeking to get a number of ducks in a row. However, as far as I can see from a position well outside the negotiations, the ducks keep moving.

There is frustration in our city that there does not yet seem to be light at the end of the tunnel or any clear timelines on key decisions. I know, not least because of his work on the Defence Committee, that the new Under-Secretary of State for Defence, my hon. Friend the Member for North Durham (Mr. Jones) understands this problem well. Indeed, he himself has raised it, most recently in the Chamber on 19 June this year—at column 1171 of *Hansard*—when, in a related context, he repeatedly asked the MOD what it was doing and emphasised the need for "clarity". I therefore hope we can expect both swift decisions and clarity from the new Minister.

We have been told—and I have no reason to disbelieve it—that there is no intent on the part of the MOD or industry to keep Plymouth in the dark, but that does not help allay the natural concerns of those of us who are outside the process. I—and, I am sure, my colleagues—have great difficulty explaining to our constituents exactly what is happening, and although we are told that all will be well and that the dockyard's future is secure, we really want to see it in black and white or as in as sharp a contrast as possible. The work force and the smaller suppliers on whom the dockyard depends have concerns about what type of model will follow on from the TOBA announcements. Where will the surface work go? Will base-porting continue in its current form or change because of the ability of the fleet to keep vessels at sea for longer makes the whole strategy change? We would like to understand the Minister's thinking on this. Is his Department looking to change the model to meet modern strategic requirements? Surely he can indicate that without affecting the TOBA negotiations and the commercial sensitivities which surround them. If so, we would like to know so that we can understand how Plymouth fits into the wider UK picture in order to be able to consider how we can maintain the skills base we have developed to service the Navy's needs.

The announcement on the carrier—the carrier vessel future—was of course very good news for Babcock and it will mean the shifting of some work from Scotland down to Plymouth in the medium term. That said, however, there are siren voices still unsure about the cost of this order and some who might even suggest the

[Alison Seabeck]

order could be reduced to one vessel or even cancelled. There is a lot of risk involved in reducing the order to one. All the conversations that I have had with Navy personnel suggest that they strongly support the announcement that these two impressive vessels will be added to the fleet, and that they understand that in the current global climate, we cannot rely on other countries to come forward and assist us in times of crisis. We definitely do need the safety of two such vessels, and we should not waver from our commitment to them.

Babcock, which is currently working on the CVF programme, employs some 5,000 people and the MOD and Navy employ just under 1,000—people with higher-than-average earning potential. We need and will welcome a firm decision on a range of concerns, including base-porting, once the outcome of the TOBAs has been reached. The visible presence of the submarines and warships—the grey stuff—tied up alongside, and the military personnel and their families living in and enjoying Plymouth strongly feed into the city's identity; we do not want to lose this. Plymouthians, unlike the Opposition Front-Bench spokesperson, understand the importance of buying British and supporting British-based workers; it is not about supporting defence jobs in Plymouth for political reasons. His view is too narrow and is at odds with that of the Conservative council leader in Plymouth. Without those jobs, UK defence industries would lose expertise and the economic impact on the region could be devastating, with the Government having to pick up a much larger welfare bill. I am therefore hoping that my colleague can offer some reassurance, and that I can go back to my constituents with some good news from today's debate.

3.31 pm

Nick Harvey (North Devon) (LD): I want to start by echoing the words of tribute and condolence to those who have lost their lives or been seriously injured since we last debated defence matters in this House in July. In also paying tribute to the Ministers who have left their post, I should like to welcome the two who are with us today. I am glad that manpower shortages and overstretch in the rest of the military family is not going to extend as far as the Government Front Bench. It will be useful to us to have the two of them here; both have been active participants in defence debates. The hon. Member for Grantham and Stamford (Mr. Davies) produced a very worthwhile report on the relationships between the armed forces and the wider community. I hope that he will now have the chance to follow through some of the recommendations that he made in that report. The hon. Member for North Durham (Mr. Jones) is a very welcome addition to the Government Front Bench—one that is richly deserved and long overdue. As others have said, he brings with him a long list of past observations, which I hope he will be able to follow through.

I do not know what the new Secretary of State can have thought when the phone call came inviting him to take up his post. Despite the admirable researches that have been reported to us, he has not recently been a participant in these debates. However, I should think by now—six days on—he must have a pretty clear idea of the immensity of the headaches that he has inherited and taken on. I put those as being principally a financial crisis in his Department, a lack of strategic framework—or at any rate, a confused one—for Britain's defence policy, and some decisions desperately needed on big procurement items.

I do not know whether the MOD still bothers denying that it is in a state of financial crisis; if so, it is largely wasting its breath. It is a wide open secret that it faces a very serious financial problem. The budget for the three years of the comprehensive spending review will have to go an awful long way, and various estimates reckon that there is a funding black hole. Some say that it is about £2 billion; others say that it is as much as £5 billion. It is certainly going to be a very difficult 18 months for the ministerial team in trying to make sense out of that situation.

Of course, we have the ongoing demands of two so-called medium-scale operations, in Iraq and Afghanistan, which have urgent operational requirements to meet the immediate needs there. There is also an enormous procurement shopping list looming, including carriers; the future rapid effect system; Astute submarines, the replacement, ultimately, of the Trident system; surface vessels; the joint strike fighter; another tranche of Eurofighters; and a new generation of helicopters. The list goes on and on.

It is clear to all observers that the budgets, as formulated, are not adequate to meet all those requirements; one does not have to be a mathematician of any great strength to realise that things simply do not add up. There is a tension between the immediate needs of our armed forces in theatre and longer-term needs, which must be planned for now if we are to avoid further problems building up in a relatively small number of years' time.

I applaud the work, reported to us by the Minister of State, in getting armoured vehicles out into theatre as quickly as possible. I am not clear exactly where the acquisition of a further 600 vehicles fits in the envisaged framework for the future rapid effect system, and I do not know whether anybody else is either. That matter is raised with me by industrialists and members of the armed forces, and it will be interesting to know how it is reckoned to fit strategically into what is planned.

Equally, we read worrying newspaper reports that the joint strike fighter project is unravelling, and it is a mystery to me where that leaves our aircraft carriers, given that the joint strike fighters were what we were anticipating would fly from them. I do not know whether anyone views the idea of a marine version of Eurofighter as a serious plan B. Such a version would be costly and slow, and, judging by the answers given in previous sittings of the Defence Committee, I doubt that it is viewed as a realistic alternative.

Some of these issues can be postponed a bit longer, but given that an election may still be 18 months away, the Government will struggle to maintain that it is business as usual and that all these thorny issues can be put off until after one. The alternative is the tried-and-tested formula to which the Ministry of Defence has resorted again and again over the years: salami-slicing. That is the worst of all worlds, because things end up taking far longer than was anticipated, costing far more, and there are far fewer of them and they have less capability than was originally planned. We must avoid continuing a Heath Robinson approach to defence: adding things on and adapting them in a haphazard manner.

The new ministerial team will have to struggle with these thorny issues, and I believe that they will have to do so within some sort of renewed, or at least re-expressed, strategic framework. I have spoken before in this House of the crying need for a new strategic defence review. I accept that it would not be possible to conclude such a review this side of an election—it is debatable whether it would be wise to commence one this side of an election—but at the very least some of the initial groundwork for such a review should be taking place. If it were possible to secure any sort of all-party consensus on the questions that such a review needed to ask, they could be debated. If a consensus could not be arrived at, at the very least we should debate what questions the review needs to ask.

I believe that those questions are: what kind of forces should we build and maintain in the next 20 or 30 years? Are we committed to maintaining premier league forces in all three forces on our own account? What do we want from defence? What part will be played by our allies in NATO, including its European countries, and by the rest of the UN? How will we work together to achieve the aims and objectives that I hope such a strategic defence review would identify?

Mr. Gray: The hon. Gentleman will be relieved to hear that my hon. Friend the shadow Defence Secretary is committed to an incoming Conservative Government's conducting just such a strategic defence review.

Nick Harvey: All parties in this House are probably committed to such a review occurring. I know that a defence of this line has occasionally been peddled by Conservative Back Benchers, but it is clear that there will have to be a strategic defence review. Whatever the colour of the Government formed after the general election, it would be immensely helpful if some of the spadework had been done now to ensure that such a review could crack on quickly straight after an election and not have to go through a period of hiatus before it could begin.

The new Secretary of State was a supporter of the defence industrial strategy in his previous job at the Department for Business, Enterprise and Regulatory Reform, and now more than ever in the light of the complexity of our operations abroad, we have to work with industry and ensure that we have a defence industrial base on which we can rely in times of conflict. We therefore need to breathe new life into the defence industrial strategy and we will have to achieve that within the strategic framework. I welcome the appointment of a director of strategy at the MOD, but it puzzles me that that has come seven years into our operations in Afghanistan and five years into our operations in Iraq. For all that the appointment is overdue, it is welcome, and I hope that it will provide a lead for the preparatory work that I have described.

I am very anxious about the issue of helicopters, which is frequently raised in the House. I was alarmed to see some projected figures that were elicited by the hon. Member for North Essex (Mr. Jenkin) for the helicopter fleet that the MOD anticipates sustaining every year from now until 2020. If one looks forward five years to 2013, it is expected that 50 per cent. of our already reduced and undersized helicopter fleet will have gone out of service. By 2020, there will have been a 60 per cent. reduction in the number of helicopters, even if the future Lynx programme comes about as anticipated according to the time scale.

We have to do everything we can to ensure that our troops are equipped with an adequate number of helicopters. Almost whatever the outcome of a strategic defence review, and the decisions that it might make about the size and shape of the Army, Air Force and Navy that we will need in the future, we can predict with certainty that we will need helicopters. They are fundamental to our success, not only in current operations, but in the long-term future. The number of helicopters that we can get into theatre is critical, as is their operational effectiveness in hot and high conditions, such as those in Afghanistan. In that country, it is clear that, given the increasing threat from roadside improvised explosive devices, we have to think afresh about the safe movement of our forces as they do their work. I welcome all that has been said about the new protective vehicles, but the quickest and safest way to travel is by air. New helicopters have many capabilities that old ones did not, but however highly equipped they are, they do not come with the ability to be in two places at once. Foremost among all the procurement headaches with which the new ministerial team will have to grapple will be ensuring an adequate number of helicopters in the future.

Battlefield helicopters provide the agility and comparative security that we must have. We need a mix, a balanced force of helicopters, some for large lift operations and some that are small and agile, and can move effectively around operating areas. In summary, we simply need more helicopters.

Mr. Arbuthnot: I entirely agree with the hon. Gentleman's concerns about the number of helicopters that our armed forces will have in the future, but I am concerned by his remarks about moving everybody around by air. As General Petraeus said last week, in order to persuade the hearts and minds of people in Afghanistan and Iraq, we need a presence permanently on the ground, with soldiers from different forces living among the populations they are trying to help to move towards their own governance.

Nick Harvey: The right hon. Gentleman makes a good point. I am not suggesting abandoning completely movements on the ground or the broader role on the ground that he describes. I welcome the new vehicles that are going out and anticipate that there will probably need to be more in the future, but as part of the overall mix we need more helicopters. We need the best equipped and protected helicopters. We need to ensure that they are of the highest possible standard. We need to meet new crashworthiness requirements and we need a balanced mix. Above all, we need those helicopters quickly. Looking forward to 2013 and 2020, decisions will need to be made very soon if we are not to have a situation in the future that is even worse than the situation now.

The hon. Member for New Forest, East (Dr. Lewis) made some points about communications. He was right to touch on some of the difficulties arising from some of the statements that have been reported about the situation in Afghanistan. Attention is increasingly turning to Afghanistan as our role diminishes in Iraq.

As the hon. Gentleman said, in the past week or two we have heard two interesting contributions from very well-placed people, one of whom was the most senior

[Nick Harvey]

British commander in Afghanistan in recent months, who made the comments as he finished his time there. I agree entirely with the hon. Gentleman that the British commander was not really saying anything very new, anything very different or anything particularly shocking. However, the way that his comments have been written up in the media is bound to confuse members of the public, who, regrettably, have not bought into what we are doing in Afghanistan as I would have liked them to do. That will not have been assisted in any way by those reports.

Similarly, the British ambassador in Kabul seems to have made some very interesting observations. Whether he had anticipated their being quite so widely circulated, I am not sure, but he has made some interesting observations about the difference between our approach and that of the Americans. In particular, I am thinking of the American actions within Pakistan's border regions, which are clearly causing a great deal of trouble in Pakistan and, probably, a fair few headaches in Afghanistan, too.

Again, the Government have a real challenge on their hands. They must come out and explain afresh what we are doing in Afghanistan and clarify some of the confusions that will have grown up in the public mind. I say that in the knowledge that marines from the west country, including 1,000 or so from Chivenor in my constituency, have gone out to Afghanistan, taking over from the Paras. I worry about what their families understand to be the purpose, the challenge and the state of what we are doing in Afghanistan in the light of the reports that they must be reading in their newspapers. We wish them well, but I believe that the Government need to restate the case for what we are doing out there. I fear that we need to hear what exactly the British view of the new American strategy is. We need to join up defence and reconstruction, as has been said, to ensure that we can create a long-term picture of a viable state able to survive on its own.

The biggest problem for the new ministerial team remains that of overstretch. We could begin to address that if we were to get out of Iraq entirely. The sooner we do that, the sooner the team will be able to make any meaningful headway in tackling overstretch.

Finally, I pay tribute to all those in the armed forces at home and abroad, to those who have come back from their tour of duty and to those who are preparing to go, and to all who train, support and equip them. It is vital that they understand that in this House everybody very much appreciates what they are doing. There is a duty on us all to try to explain to the public what the troops are doing and to ensure that they succeed in these very necessary tasks, which they are carrying out in our national interests.

3.49 pm

Mr. Doug Henderson (Newcastle upon Tyne, North) (Lab): I start by welcoming the new Front-Bench team. I have known the Under-Secretary of State for Defence, my hon. Friend the Member for Grantham and Stamford (Mr. Davies), for a long time in the House. He has great knowledge of foreign affairs and defence, which will stand him in great stead as he faces up to the difficult task before him. I am sure that hon. Members will give him our full support.

I have probably known the Under-Secretary of State for Defence, my hon. Friend the Member for North Durham (Mr. Jones), for longer than any Member of this House—with the exception of the Chief Whip. We know what he is really like. His first deployment in my constituency involved homeland security in Newcastle upon Tyne, North, where he had to secure a bridgehead against an internal enemy at the time. He secured the bridgehead very effectively with great steadfastness under enemy fire, which will stand him in great stead in carrying out his tasks in his new post. We all welcome him to the Front Bench.

The subject of today's debate is defence in the UK. The global world in which we now live is not new in terms of defence, because international inter-linkages have existed for hundreds of years. To consider defence in one's own country, one must consider the impact of foreign policy and defence policy on a much wider scale throughout the world, and we must assess how well equipped we are to defend our own nation in that context.

I was involved in drawing up the final stages of the strategic defence review in 1998. When I refreshed my memory of what we put to the House and the country at the time, I found that paragraph 2 included a telling sentence:

> "The Review is radical, reflecting a changing world, in which the confrontation of the Cold War has been replaced by a complex mixture of uncertainty and instability."

We crowed a little bit in saying that "the review is radical"—all Governments say that—but it was radical. When that report was drawn up, we assumed that America was strong economically and a leader in foreign policy, that Russia was a weakened nation which had not rebuilt itself after the break-up of the Soviet Union and that China was relatively isolationist and very much concerned with its own internal affairs and economic development. None of us could assess India, although we knew about its economic failures over a number of decades, which began to turn around at the end of the 20th century. We used those assumptions in considering the strategic defence review.

I wonder how many of those assumptions are now valid. There has been the further development of the international terrorism of the early 21st century, but how many of those criteria still apply? Is Russia still weakened and passive in its approach to international affairs? Is China still looking internally? Is it still establishing economic power, or has it established significant economic power? Is India establishing itself as a main player in both economic terms and foreign policy terms? Is America as economically strong and influential in foreign affairs as it was then? If those assumptions do not hold, we need to look again at how our foreign policy affects the world, and how we draw up our defence strategy.

Mr. Crispin Blunt (Reigate) (Con): I agree that the questions that the hon. Gentleman poses are extremely important. I would add that we do not yet know what the consequences will be of what is happening in the global financial markets, and what it will mean to the real economies of countries across the world. Those consequences will affect our consideration of the issue. My recollection is that the strategic defence review was seen by many outside commentators largely as an endorsement of the policy that was inherited. Perhaps

he might confirm that the strategic defence review took £500 million a year out of the defence budget—and that figure would have been £1 billion a year, had not the then Chief of the Defence Staff remonstrated with the Prime Minister.

Mr. Henderson: I understand why the hon. Gentleman wants to get involved in party political points, but I have no intention of engaging in party political bickering on this issue. One could look at the Conservative Government's expenditure patterns up until 1997, but I do not want to go into that. There are much bigger issues facing the nation and the defence estate than minor differences of view among the political parties. It is the bigger issues that we have to address if we are to have a secure nation in future, and are to get our foreign and defence policy right.

Mark Pritchard: The hon. Gentleman mentions Russia; is he aware of comments made by President Medvedev in the past 48 hours suggesting that Russia should be part of some new security pact with Europe? Does he share my concern that that would destabilise the Euro-Atlantic alliance and the NATO alliance, which, albeit imperfectly, has ensured peace in Europe and further afield for many years? Does he agree that we should continue to support NATO and try to reform it from within, and that there can be no moral equivalence between the Administrations in Washington DC and in Moscow as long as Moscow continues to stamp out democracy, freedom of speech and religion, and the independence of the judiciary?

Mr. Henderson: I do not quite take the same view as the hon. Gentleman. I do not know how much of my speech I will get through in my 15 minutes, but the view that the American Government took in the middle east was, "We can establish western democracy, over a period, in the middle east, and then these guys will know how to play the game; they'll be on our side and everything will be stable." America argued that that should be the case in Russia, but what it predicted did not take place. If that argument were successful, the logic would be that the Russians should be part of the NATO pact. That is the ultimate logic of that foreign policy doctrine. We—and the hon. Gentleman—need to be clear in our mind whether we agree with that doctrine. He needs to be clear whether he accepts my view that there is a logical conclusion to the argument. If he does not accept that, and he thinks that Russia will always be on the other side, and therefore not linked up with our interests, other aspects of defence policy will need to be considered. I want to come back to that point later in my speech, assuming that I have enough time.

I shall have to speed up a bit to try to make my points. The question is whether one believes that the world has changed. I think that there is a need for another review of defence policy; the main thrust of that work should be done after the next general election, but in the interim, all of us have to do a bit of thinking on the subject. I completely agree with the view expressed by the Liberal Democrat spokesman, the hon. Member for North Devon (Nick Harvey), on that point. I am sure that many other colleagues, on both sides of the Chamber, see the need for such a review.

Let me set out some of the issues that arise from the changing international picture. Have we got the emphasis right when it comes to counter-terrorism? Should counter-terrorism be the main thrust of British defence and foreign policy? It is clearly a very important issue, and we must counter terrorism wherever we can, in whatever way is most effective, both militarily and in the civil sphere; civil action is needed too, as I think is widely recognised. However, is that the main issue? In 10 or 20 years, will that be the main priority for the nation? That question has to be examined, whatever our view. My view is that the world has changed, that new power groups are emerging and that an assessment of the impact of those groups must be a key part of British foreign and defence policy.

The second question that I want to address relates back to the point made by the hon. Member for The Wrekin (Mark Pritchard) about NATO policy in relation to Russia. The Cheney doctrine, which was adopted in the middle east, could never be successful—in a sense, it was the absence of a doctrine after the end of the cold war. The doctrine during the cold war was that we had to have sufficient political and military power to make sure that potential enemies did not do anything stupid and that they recognised that. There had to be a balance of power to achieve that. That doctrine achieved relative stability for 30 or 40 years after the end of the second world war.

After the fall of communism and the end of the cold war, what was the doctrine? What was NATO's purpose? A lot of us were asking that question, but we never successfully addressed it. That is why when there was a proliferation of terrorist attacks in different parts of the world over a period of 10 years, culminating in the attacks in New York and followed through by the attacks in Spain, Britain and elsewhere, we said that we must focus on countering those atrocities, but forgot about the doctrine of foreign policy and defence policy beyond that. We must return to those now, as we again see the emergence of major power blocks. That is a key issue.

We cannot persuade Russia, the middle east, the Indian subcontinent, China or other Asian countries to be like western Europe or north America. What can we persuade them to do? We can persuade them to co-exist, and it is in everybody's interest that that stability is re-established. That should be the central part of our foreign policy; it follows that defence policy must reinforce that. I may be wrong on the issue. Some say that my view is over-pessimistic. However, I do not believe that in 10, 20, 30, 40 or 50 years' time, China, Russia and the Indian subcontinent will look anything like what Marxists used to call "bourgeois democracy" in western Europe and north America. The danger is that those countries will end up in the hands of aggressive dictators; it is also possible that they will divide into different groupings. Our policies must be capable of dealing with that issue.

Are our current alliances appropriate to deal with those threats? Any review needs to consider these different issues. I am absolutely clear that NATO needs to move forward and change to adapt to new circumstances, but it has to be the cornerstone of British, European and north American defence. However, I also think that the European Union will play an ever-increasing role. I know that there are differences of view in the House about this, but I am thinking from a military point of view.

As a member of the Defence Committee of the European Security and Defence Assembly, also known as the Western European Union, I frequently meet

[Mr. Henderson]

military commanders. It is amazing—even military commanders who are broadly hostile to the European Union want more linkage with their colleagues and the organisations in Europe with which they associate. The EU needs a better defined defence policy and to work more closely with NATO. NATO and the EU need to know how they can get the best out of their strengths and eliminate their weaknesses. That has to be the core of the structure of future political organisation to counter the other power groups emerging in the world. NATO member countries must, under article 5, come to the assistance of another member country that is under threat, but the European Union does not have that provision—at least constitutionally, although it does have it implicitly in many other ways. That is inconsistent, and the extent to which the EU provides such cover needs to be clarified over the period ahead. If we all have the same values, we should have the same protection.

Then we need to consider the more practical questions as to whether we are properly equipped to face this situation. Intelligence—the foundation of successful military operations—is one of the key areas where there will be a need for a wide debate. There has recently been a move away from our intelligence services being focused on knowing what opponents—or enemies in the cold war era—are up to towards what terrorist organisations are up to. The ultimate conclusion must be that we need more resources and expenditure to defend the nation, and we might well end up in that position in the years ahead. The key issue is the need to decide on the allocation and direction of our intelligence forces.

We need to re-examine our sea power, which was mentioned by my hon. Friend the Member for Plymouth, Sutton (Linda Gilroy), as well as our air power. We need to think about our lift. Is it realistic for each country within Europe to have its own lift? Are we to be dependent on private sector contractors from Ukraine in that respect, and if so for how long? What are the implications of any changes in the relationship between Russia and the UK? What about our ground troops capability? We have already heard about the dilemma between air cover from helicopters and forward movements on the ground where local populations are closer.

Then there is the role of nuclear weapons. I support the modernisation of Britain's nuclear deterrent, which must be considered in this context as well.

Let me conclude with two points. First, I am a rapporteur at the ESDA on the question of how European operations should be headquartered, where there is a need for less duplication. Secondly, we need to examine the whole issue of aircraft carriers, including cover in the air and frigate defence. Can France and Britain continue to try to provide everything? Can some of the other countries in Europe help to contribute to the European capability? How does that link into the United States, where it is a NATO operation?

The new Front Benchers will be very busy dealing with day-to-day matters, but I hope that they will have a little time to reflect on some of the issues that I have mentioned. I agree that after the next general election there will inevitably be a defence review. Given the consensus in the House on that, progress should be made.

4.8 pm

Mr. James Arbuthnot (North-East Hampshire) (Con): These debates always produce well-informed and interesting speeches from well-informed and interesting people, but the speech by the hon. Member for Newcastle upon Tyne, North (Mr. Henderson) was one of the best speeches in a defence debate that I have ever heard in this House, and we should be grateful to him for what he said.

I should like to echo the expressions of sympathy to the families of people who have died in Afghanistan. It is always an individual tragedy when any one soldier dies. There is, however, a degree of comfort in something that right hon. and hon. Members will have noticed—that it was in only one theatre of war that we had those casualties over the summer. That suggests that those who had previously died in Iraq on our behalf had achieved a real measure of success. Let us hope that those who have recently died in Afghanistan will eventually achieve, through their sacrifice, the same degree of success as those who have previously died in Iraq. We are very grateful to them and to their families.

I would like to echo the congratulations to the new members of the Ministry of Defence Front-Bench team. As I have said, what the Under-Secretary of State for Defence, the hon. Member for Grantham and Stamford (Mr. Davies), said about the armed forces in his recent report achieved a real effect in the transformation of the way in which the armed forces are regarded in this country. I hope that we can achieve more, but I pay tribute to him, and he will no doubt have a great deal of work to do following on from the noble Baroness Taylor in the equipment and support role.

It is a real pleasure, though, to see the Under-Secretary of State for Defence, the hon. Member for North Durham (Mr. Jones), removed from the Select Committee on Defence. That may not sound entirely right, but he brings to the Ministry of Defence a feisty—some might say verging on the belligerent—approach that is necessary. He has long experience of the Defence Committee, where he built up a huge degree of knowledge and asked some valuable questions. We will miss him; he performed a very valuable role.

The Defence Committee has carried out several inquiries recently. It recently produced a recruitment and retention report, and one of the things it concentrated on was the difficulty the armed forces have with manning balance. It was a worry to us that the Army will not find itself in manning balance until 2011, and that the armed forces have now identified 73 pinch-point trades where there is a shortage of personnel. We welcome the Command Paper produced by the Government, which the Minister of State mentioned at the opening of the debate. Who it was that produced some of these brilliant ideas, the Government or the Opposition, we do not need to fuss too much about. We should, as my hon. Friend the Member for New Forest, East (Dr. Lewis) said, welcome such ideas from wherever they come.

Another report we recently produced was on medical care for the armed forces. I want to echo something said about the excellence of care provided at Birmingham Selly Oak. There have been a lot of newspaper stories about shortcomings at Birmingham Selly Oak, which we found were not borne out by our inquiries. The people who provide care there are to be congratulated

and commended for the work that they do, unstintingly, for our armed forces. In September, I went to Israel in my role as chairman of the Conservative Friends of Israel, and I visited the Hadassah hospital in Jerusalem. In Birmingham Selly Oak, we had found that the excellence of trauma care in our country was to be commended. However, I found that such care was even better in the Hadassah hospital, and by a considerable margin. I have just written a letter to the Under-Secretary of State for Defence, the hon. Member for North Durham, to ask whether we can learn any lessons from the way in which other countries deal with trauma care, and I hope that some interesting ideas will come out of that.

We are just about to begin the public evidence sessions of an inquiry into national security and resilience. Last week, we had a valuable visit to the counter-terrorism science and technology centre at Porton Down. We were very impressed by the wide range of work that is done there, from all sorts of disciplines, to counter terrorism. As we left, we felt that some improvements in communication between Departments could mean more joined-up government, so that more Departments could take advantage of the excellence of the work that is done in Porton Down. However, overall, we felt that it did a good job.

Parliament needs to consider a further matter—the parliamentary scrutiny of national security and resilience. As my hon. Friend the Member for New Forest, East said, it is a cross-cutting issue, and it needs proper parliamentary scrutiny. I hope that the Government will move ahead more quickly in getting some sort of Select Committee scrutiny of the matter—I know that they have had that in mind for a long time.

Let us consider military bases. The super-garrisons will come on stream from 1 April next year. There are benefits to super-garrisons, including much more stability in the populations that are based in them. For example, there will be much less turbulence in service children's education, about which we did a report last year. Such benefits will be real. However, super-garrisons mean that members of the armed forces will find it increasingly tempting to buy their own houses, especially if house prices drop sufficiently to be within their reach. The trouble is that that will reduce the cohesion of the patch. As parliamentarians, we must be aware of that when introducing some of the changes. However, overall, I believe that the super-garrisons will prove beneficial to the armed forces.

Mr. Brazier: There is a point to add to my right hon. Friend's strong points. The last big study—in 1995, if I remember rightly—showed that, once a member of the Army had bought married quarters, he was 50 per cent. more likely to PVR in the subsequent few years. It is unfortunate that, although we need to encourage the aspiration of eventual home ownership, in the Army—the most mobile of the services—buying too early is a recipe for losing good people much more quickly.

Mr. Arbuthnot: I agree with my hon. Friend, apart from his lapse into MOD-speak. I have no doubt that PVR means prematurely voluntarily retiring—

Mr. Blunt: Premature voluntary release.

Mr. Arbuthnot: I shall move on to this country's defence industries.

As the Minister of State said, we need a strong defence industry in this country and we should be proud of what it produces. The industry should be proud of that and proclaim the virtues of this country's defending itself with good, British-made defence industrial goods. It is this country's right to defend itself with proper equipment, as it is that of other countries. Since we produce some of the best equipment in the world, we should be proud of our defence exports and proclaim their virtue in the face of those who denigrate us for being arms salesmen. We give other countries the opportunity to do their duty—to defend themselves. To achieve that, we need a defence industrial base that is strong and knows what the Government are doing. Unfortunately, there is currently a sense of complete paralysis in the defence procurement world. As the hon. Member for North Devon (Nick Harvey) said, people do not know what happens in the defence procurement world. There is a sense that senior officials in the Ministry of Defence are just trying, because of budgetary difficulties, to survive.

Somewhere, somehow, the Government need to take control and start making some decisions. We have been given a provisional decision about FRES; it needs to consolidate into a real decision, and soon. We have been given some sort of indications about the future Lynx, but when will we have a decision about it? The Chief of the General Staff needs both of those, and needs them quickly and in proper quantities.

I have been reflecting on the question that I asked the Minister of State about what the chief of defence matériel said last week. On reflection, I think that I may have misreported our conversation. I would like to apologise to him and to withdraw what he said, because I do not think that it went quite like that and, anyway, it was in private and I should not have said what I did. So, I apologise to him and withdraw my remark.

Having said that, I think that the defence industry in this country needs to know who is in charge of the defence industrial strategy. Of course, it is enormously reassuring to know that the Under-Secretary of State for Defence, the hon. Member for Grantham and Stamford, is in charge of these things. However, we need to know who is in charge underneath him—who is in charge in military terms and in civil service terms—because the defence industry will not, frankly, be negotiating with him. It will need to know that somebody is driving things forward, but at the moment it has no sense that anybody is.

I want to make one final point, about the planning assumptions. As we know—as the Ministry of Defence tells us—the MOD has been operating at or above the levels for which it is resourced and structured for seven out of the past eight years. We can get away with that for two or three years, perhaps; we certainly cannot get away with it for seven or eight years.

All that is based on planning assumptions that have been routinely wrong. So, what the Defence Committee did in April this year was to write a letter to the then Secretary of State for Defence to ask when we would have the results of his review of the planning assumptions, which he announced last year. It would be right to read what the Secretary of State said:

"Of course the Defence Planning Assumptions are a core part of our planning process. As you know, we conduct a review of these assumptions on a regular basis".

[Mr. Arbuthnot]

The trouble is that over the past six years or so that review has always proved to be wrong. He continued:

"Our latest thinking is that the next iteration DPAs will not present a radical departure from those issued in the last Defence White Paper."

That is a real worry. In view of the comments in the previous speech, which I have just said was one of the best speeches we have heard in defence debates in this House, the issue is one that we have got to revisit. The planning assumptions are wrong. We cannot rely on them. We should not be sending the armed forces of this country into battle on the basis of assumptions that we know are wrong.

4.23 pm

David Wright (Telford) (Lab): It is a great pleasure to follow the Chairman of the Defence Committee. I join others in welcoming the two new Ministers to the Front Bench, more of whom later in my contribution—all good, I can assure them.

I want first briefly to cover three issues, then I want to talk about the opportunities for Shropshire, and Telford in particular, to emerge as a key defence hub in the UK. I note that the hon. Member for The Wrekin (Mark Pritchard) is in his place. He will probably agree with pretty much everything that I have to say, but we shall see as we proceed. However, I know that we both want to see Telford and Shropshire flourishing as they make their contribution to UK defence.

I want to begin, however, by echoing the tributes that other Members have paid to our armed forces in these difficult times. The people of our armed forces are simply remarkable, and they deserve our thanks. Shropshire people have a particular connection with 1st Battalion, the Royal Irish Regiment, which has barracks at Tern Hill. The regiment has done difficult work in all the major conflict zones around the world in recent years, and the county is paying tribute to its members as they return home at the moment. In fact, they arrived home yesterday. I understand that there is to be a march past in Shrewsbury next Thursday. Unfortunately, I shall not be able to be there, so I want to use this opportunity in the House to pay tribute to them for the work that they have been doing in Afghanistan. I am sure that the whole House will want to join me in doing that. Many people from Telford are serving in conflict zones across the world, in the armed forces and in the support services, and I want to place on record my thanks to them as well.

The first substantive point that I want to make is on the theme of renewing the connection between our forces and the communities that they serve. I know that the Under-Secretary, my hon. Friend the Member for Grantham and Stamford (Mr. Davies), has been doing some work on this matter. I particularly want to make the Under-Secretary of State, my hon. Friend the Member for North Durham (Mr. Jones), smile. I did the armed forces scheme with him; we did a stint with the Royal Marines. He says that I say what I am about to say in every defence debate; I do not want to disappoint him. He knows what is coming.

I really believe that people used to feel connected with the armed forces when regiments or warships bore the names of specific towns or counties. We are now losing that linkage, and we ought to look into reinstating some of those connections. It would be great, for example, if we had an HMS Shropshire or an HMS Telford. The last HMS Shropshire was launched in 1928. She served in the south Atlantic, and was passed over to the Australian Navy in 1942. She was in Tokyo bay when the Japanese surrendered. We should have another HMS Shropshire, an HMS Telford and, perhaps, an HMS Wrekin. We need to renew those connections between our forces and our communities.

I should also like to call on Telford and Wrekin council to review what it is doing about offering freedom of the borough status to regiments that are present in the county. This applies not only to the regular forces but to the Territorials who are based in our towns and communities. I hope that the council will look positively at that proposal in the coming weeks.

My second point is to say how much positive feedback I have had about the veterans' badges, which have not been mentioned yet today, and about the badges that recognise the contributions made by the Land Army and the Timber Corps. In Telford, the Royal British Legion and I have been promoting those badges hard, and we have held a number of presentation events at the Dawley Royal British Legion club. Albert Colley and the team there have been working with me to encourage take-up of the badges. I would also particularly like to thank Richard Overton, who works in my office, for his work in helping people with their applications. His reputation is spreading across the country; he gets calls from right across the UK because people know that my office is promoting the veterans' badges and the badges that recognise the contributions made by the Land Army and the Timber Corps.

The British Legion has some excellent active branches in Telford, and it is always a pleasure to work with them. I have been having a dialogue with them for some time about the military covenant, and I welcome the comments that I have heard today from the director-general about the covenant being brought back into balance.

While I am on the theme of recognition for service, I want to take up my third point, and to press the minister on the campaign, which he will know well, for an award for those who have been injured or killed on active service. I have always thought that the medal system in this country was very good, because it does not make it easy to win an award. However, I think that we need to look at the system and at how we recognise people who have been injured or killed on active service. This is not about whether people do or do not support the principles behind a particular military operation and it is nothing to do with the politics of conflict. It is about recognising sacrifice. It would be helpful if the Minister said whether, in his new role, he will pursue the issue of whether a medal can be awarded to service personnel who are injured, or indeed whether an award can be made to their families if they are killed in action.

I want to move on to develop the main theme of my speech, which relates to the opportunity to create a strong and long-term defence hub in the town of Telford. We have a long tradition in the town of supporting our forces, largely focused on civilian staff working for the Ministry of Defence. In recent years, I have worked with the trade unions to protect jobs and we have had some notable successes. We campaigned to keep the Army Base Repair Organisation located at Donnington,

in the Wrekin constituency, and the MOD recognised that the specialist staff there provide a flexible, responsive and cost-effective service in repairing and modifying armoured vehicles, and in developing new solutions for the protection of our front-line troops.

Alongside that, I campaigned with the unions to keep defence equipment support staff based at Sapphire house in my constituency. The Government—wisely, in my view—changed their mind and decided not to move those posts down to the Bath and Bristol area. They ultimately moved to merge the operation with ABRO to create the new Defence Support Group. I acknowledge that there have been some job losses in that process—about 100 will be gone by March next year—but thankfully most of the losses have been handled through voluntary redundancy, which is better than losing the jobs altogether and their moving out of the town. With the merger of those two significant organisations, there is a genuine opportunity for us to develop an exciting defence support initiative in Shropshire.

I understand that a capacity and capability review is under way in the new organisation. Here are a few suggestions for consideration as part of it. First, we should build on the recognised local skills base and develop Telford as a defence hub for the UK. Secondly, we should develop in-house skills and—I stress this point—partner with industry. We should not outsource as a matter of course through the industrial strategy. The existing teams work hard and provide the flexibility that we need to respond to the operational environment that we are encountering at the moment. There is an increased tempo as we have to repair armoured vehicles, get them back out on the road and on active service. That is important and we need to ensure that we preserve the skills that we have at ABRO.

Thirdly, we must ensure that arrangements with BAE Systems and others are structured to deliver that partnership. I stress the word "partnership". Let us ensure that we procure the product that we need and that we are not led down routes specified by external organisations. At the start of the process, let us dictate very clearly what we want.

Fourthly, we need to evaluate the added value that existing staff bring to the table and ensure that we retain that good will. Sometimes, I do not think that we evaluate carefully enough contributions that people make that are not necessarily clearly defined on a cost-benefit sheet. Sometimes, monetary value cannot be put on service and loyalty provided by civilian MOD staff. I do not want us to lose those things, and we have them now in Telford.

Alongside the Defence Support Group, we have the Defence Storage and Distribution Agency—jobs that were won in a competitive environment some two and a half years ago. Cost savings have been made and the operation runs extremely effectively. I think that Ministers can see that we have a real opportunity in Telford to ensure that we have an effective defence hub looking at procurement, repair, supply and provision. It is an exciting opportunity that we should not waste.

At the beginning of the debate, the hon. Member for The Wrekin rightly pressed the Minister on the defence training review. I want to conclude on this point, and I am sure that the hon. Gentleman will agree with me. Many of us in the west midlands did not agree with the decision to move defence training down to St. Athan. We want some clarity now on the delivery of the scheme. When the announcement was made, there was a commitment to some continuing training facilities within Shropshire. We want to know that that remains so. We also heard about the relocation of 1 Signal Brigade and 102 Logistics Brigade under the Barona programme. We understand that those units will be relocated to Cosford.

The programme has been delayed around St. Athan, and we need some clarity. We do not want to be in the worst of all worlds, whereby a Government decision about Cosford is delayed, and we find out that the Barona programme does not fit with the time frame for establishing St. Athan. In that scenario, we lose defence jobs from Cosford to St. Athan, and we take so long to make the decision that units are not transferred back to the Cosford site.

We must make sure that such decisions are taken quickly and effectively. I would welcome a further update from Ministers on behalf of my constituents who work at Cosford about what is happening at St. Athan. That statement might not be today, but in the coming weeks. However, it is important to nail down the programme effectively, so that Shropshire emerges as a place where we have a long-term commitment to the UK's defence.

4.36 pm

Mr. Julian Brazier (Canterbury) (Con): I, too, congratulate the three new Ministers in the Ministry of Defence. I shall be brief, as I am conscious of the number of Members who wish to speak.

I join all those who have said that in this dark time for the country and the world we should remember how much harder a time our armed forces and their families face than the rest of us. As the Member for Canterbury, I am conscious of the price that the 5th Battalion, the Royal Regiment of Scotland, has already paid in casualties, along with the 3rd Battalion, the Princess of Wales's Royal Regiment, our local Territorial Army battalion, which also has troops serving in Afghanistan. Lieutenant-Colonel David Richmond, the gallant commanding officer of the 5th Battalion—or the Argylls, as we still like to think of them—is currently recovering at Headley Court from serious wounds. I was saddened too by the deaths of three members of the sister regiment of my old unit, 23 Regiment Special Air Service.

The figures given by the Minister in the interchanges between Front Benchers on improvements in recruitment and retention reflect some commendable changes in terms and conditions of service, but also the economic downturn. It is worrying that in certain key areas, especially the fighting elements of the Army and air crew, we are still extremely short of people. In that context, it is important to remember that the bare numbers conceal a large number of people who are temporarily physically downgraded because they are recovering from wounds or injuries—in some cases mental as well as physical injuries. It is also a blunt truth that the physical requirements for joining the Army have gradually lowered over the past generation; the present combat fitness test, for example, is of a much lower standard than a generation ago.

I do not intend to get into the banter as to who is bidding higher on improving conditions of service, but I am glad that there have been some improvements. Let

[Mr. Julian Brazier]

me isolate one small item that would not cost any money, and which was raised with me by the wife of an officer in the Argylls—the issue of allocation of school places. Currently, schools are allowed to ask for the address of a family who want to place a child in a school. An army family being posted into an area can put down the date that they will arrive, but under the normal system of quartering do not normally know exactly what their address will be. So we have seen the absurdity of a soldier's wife having to stay in a hostel for months before her husband's posting so that she could get her child into a heavily oversubscribed local primary school. That problem could be fixed at the stroke of a pen, and should cost nothing at all.

I want, however, to go beyond the question of terms and conditions and touch on the issue of cultural isolation, about which the hon. Member for Telford (David Wright) had a certain amount to say, and the gradual erosion of the links between the service community and the wider community. I pay tribute to the study conducted by the Under-Secretary of State for Defence, the hon. Member for Grantham and Stamford (Mr. Davies), and his team earlier in the year, although I think he would be the first to admit that recommendations of the kind that he produced can make only a modest difference to a situation that has been gradually deteriorating ever since the ending of national service.

I certainly agree with my right hon. Friend the Member for North-East Hampshire (Mr. Arbuthnot), the Chairman of the Select Committee, that 79 per cent. is not a good enough approval rating, but it is not just a case of whether the civilian community approves of the armed forces who are taking the risks in Afghanistan and Iraq; it is a much wider issue. People with very little exposure to the armed forces are much less likely to encourage a son or daughter to join, and, to put it bluntly, less likely to support necessary defence spending.

The position has been worsened by the concentration of our armed forces, which is happening at a much faster rate than the rate at which they are becoming smaller numerically. The Royal Navy, apart from the submarine force, is now concentrated almost entirely on the western end of the south coast, and the Royal Air Force has lost all regular contact with large parts of the country, including the whole of north-west England. My right hon. Friend the Member for North-East Hampshire mentioned the move towards super-garrisons. Another of its effects is that, while we may talk of homecoming parades and the like, there will be progressively fewer small market cities and towns like Canterbury with a single regular and a single Territorial Army unit where such events can happen. Visiting my sister near Catterick, I was reminded that it already has a super-garrison with virtually no civilian community.

That brings me naturally to the subject of our reserve forces, which form a much smaller part of the picture than the reserve forces in America, Australia and Canada—three countries which, like ourselves, do not have a conscription model, which face the same challenges, and which are engaged in the same theatres in much the same way. Part of the reason why I believe that the connection is so much better in all those countries is that, in ball-park terms, volunteer reserves in the other three countries constitute roughly half their land forces; in Britain, the proportion is only about a quarter. In America, more than a third of air squadrons are volunteer reservists, while the proportion of individual pilots is much higher. In Britain we have fewer than 30 pilots in the volunteer reserves, and only 800 trained Royal Auxiliary Air Force reservists. As for the naval side, in America an aircraft carrier has been set aside for the exclusive training of reservists, while in Britain we do not even have a mine warfare vessel for the purpose.

That is why I welcome the MOD's review of reserves. I must pay tribute to the work of General Nick Cottam and his team: I think that the MOD has chosen an extremely good project manager. I am also extremely grateful to the Minister of State, who I know has had to leave us early for a good reason, for the way in which he has fostered a relationship between that team and our all-party group. I am pleased to see present the hon. Member for Plymouth, Sutton (Linda Gilroy), who is an active member of it, as well as serving on the Select Committee.

The Minister of State rightly drew attention to the huge role—quite disproportionate to their size—that the reserve forces have played in Afghanistan and Iraq, but I urge the House to bear in mind that, vital as that role is, it is not the first purpose of reserve forces. Their first purpose, when money is tight and the regular forces are overstretched in the here and now, is to provide a capability for the unexpected. Let us consider some recent events in which we have been involved. No one expected the Falklands war a week before it began, and no one expected that we would send armoured brigades to the desert of Saudi Arabia six months before we did so. We had no warning at all of 9/11, of course, but we would not now be in Afghanistan—or, arguably, Iraq—if it had not happened.

Reserves are a cheap way of keeping capabilities in place that might unexpectedly be needed. They are much cheaper than regular forces, but unfortunately, the one drawback is that they take much longer to build up than regular forces. It is possible to train an officer for the Regular Army in a year, but for the Territorial Army that typically takes three or four years. We cannot create them when we need them; if they are not in being, we have not got them. Unsurprisingly, therefore, the central theme of the two reports that our all-party group prepared has been the necessity of structuring reserve forces in a way that attracts good-quality men and women to act as officers and non-commissioned officers in them, so that we really have something usable there.

One of the most common remarks in debates before Afghanistan became a high-intensity war was that the Army could be structured so as to work in high-intensity operations and then go out and do an excellent job of peacekeeping, but if we ever designed an Army based around peacekeeping, it would ultimately fail in all its roles. A similar point needs to be made about volunteer reserves. If we design volunteer reserves to operate as formed units to provide a framework in which people have interesting and challenging work to do, with opportunities to take at least sub-units from time to time abroad on operations, we will produce an organisation that is also extremely good at producing quality augmentees for regular units, but if we allow some at least of the senior regular hierarchy to persuade us that we should just structure volunteer reserves to produce augmentees—

spare lance-corporals and privates—to top up regular units, we will produce an organisation that not only cannot do the strategic job if the balloon truly goes up, but also in the long run, because it will have lost all its best officers and senior NCOs, is not training any quality augmentees either.

That brings me to a short list of a few of the things we pointed out in our reports. If the infantry and the Special Air Service and units such as 131 Commando Squadron Royal Engineers can provide formed sub-units that operate successfully, other parts of the TA should also be able to do so. However, in order for any part of the volunteer reserves to operate, they must have opportunities for interesting unit level exercises, but there are very few of those at present.

We must make more use of officer training corps and other university units for officer training. They are excellent organisations, but they are underutilised in a string of ways. Let me give one example: why cannot we have special-to-arm courses tacked on to the back of the Sandhurst courses in the summer so that a student who wants to can do what happens in America or Australia and undertake their whole officer training in one go?

I wish to mention two last points. One is a point made earlier about aviation. It is unforgivable that a country that has such a big, successful and dynamic aviation industry simply writes off the whole investment it makes in people who leave the RAF having trained as pilots. If the Americans can have reservists operating a whole range of aircraft, it is ridiculous that we cannot make more use of reservists on operations, at least for helicopters. The other point is about mine warfare. Mine warfare is either not needed at all—we do not use it in Afghanistan for obvious reasons, although we have naval pilots and Royal Marines heavily engaged there—or it is needed, in which case a hell of a lot of it is needed. The current arrangement whereby we have one expensive regular crew for each mine warfare vessel is ridiculous. It is both expensive and, by definition, has no surge capability; a mine warfare crew cannot be worked around the clock as their work is very exhausting. If we handed a couple of those over to the volunteer reserves and trained a large number of volunteer crews on them, for the same money we would be able to deliver a much greater capability.

At a time when our armed forces are increasingly isolated as well as overstretched, I am pleased that the Government are reviewing their reserve forces. I look forward to that review, and I urge the House as a whole and the Government to realise that volunteer reserves could play a much larger role in the defence of this country.

4.50 pm

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): It is a pleasure to follow the hon. Member for Canterbury (Mr. Brazier), and I pay tribute to him for his leadership of the all-party group on the reserve forces, which I may say a little more about in a moment. The hon. Member for North Devon (Nick Harvey) mentioned the deployment from in and around his constituency to Helmand, Afghanistan. From Plymouth and the surrounding area, too, there is a major deployment to Helmand, involving 29 Commando Regiment, 3 Commando Brigade and a lot of reserves, particularly medical reserves—people who in their normal lives work as medics at Plymouth's Derriford hospital and other hospitals in Devon and Cornwall.

I am pleased that our lord mayor, Councillor Brian Vincent, is recognising the role of those people at the beginning of, throughout and at the end of that deployment. That is very much in accord with the recognition study undertaken by the Under-Secretary of State for Defence, my hon. Friend the Member for Grantham and Stamford (Mr. Davies), whom I welcome to his new position on the Front Bench. The lord mayor and his lady mayoress, Pauline, got up at 3 am to see the personnel off from the Royal Citadel, as they have done on a number of other occasions. Pauline has a son-in-law who is deploying, and events are planned for the many families who share the interests and concerns that go along with having military personnel in the family. The personnel will also be welcomed back with a parade, which should happen just before the end of the mayoral year.

I look forward to working with the new defence team, and I am very glad that my right hon. Friend the Minister for the Armed Forces remains part of that team. I welcome its new members, particularly the Under-Secretary of State for Defence, my hon. Friend the Member for North Durham (Mr. Jones), part of whose period of service on the Defence Select Committee I shared. Reference was made earlier to his robust and trenchant contributions, which we will certainly miss. He made many special efforts, including a visit to our dockyard in Plymouth when he had been unable to join the original Defence Committee delegation. He also made particular efforts to ensure that the needs and interests of new recruits and the ranks were well represented in our deliberations in Committee. I trust that he will continue to take that approach in his very different role as Minister.

I want also to pay tribute to the former Secretary of State, whom I always felt positively welcomed scrutiny. He had a listening ear and engaged with us fully—sometimes a little too fully for our liking—but he also took away ideas and put them into practice. When his period of office is examined, it will go down in history as one during which, with the assistance of my hon. Friend the Member for Grantham and Stamford and his recognition study, the various strands of personnel, families and service conditions that needed to be brought together were brought together, and were entrenched by making the external framework group permanent, so that it can ensure that such issues are not lost sight of.

I also welcome the new Secretary of State for Defence, my right hon. Friend the Member for Barrow and Furness (Mr. Hutton). As the hon. Member for New Forest, East (Dr. Lewis) said, my right hon. Friend brings to the post a depth of experience and an industrial background, and he represents a constituency in which submarines and defence matter. I hope that he and his team will engage with the Defence Committee and with constituency Members of Parliament in the same measure as the previous team did.

The Chairman of the Defence Committee, who spoke earlier, discussed a number of the inquiries that we have been doing and that we have in hand. The recruitment and retention report was comprehensive, and we await the Government response, which is to be published next week. The report dealt with the important role that

[Linda Gilroy]

families play as gatekeepers to recruitment, and with the reserves. I should add to the points made by the hon. Member for Canterbury only by saying that in a world in which people's lives have changed out of all recognition and people do not expect to have one job for life, the reserves have a much wider and bigger role to play, as he indicated is the case in other countries.

The Committee has also been examining national security and resilience, following the Prime Minister's publication of "The National Security Strategy of the United Kingdom: Security in an interdependent world" in March. We are looking into the contribution that the Ministry of Defence makes to security and resilience, what it understands the nature and scale of the threat to be, how that threat affects the defence planning assumptions and what capabilities—maritime, land, air and personnel—we need to provide as a result.

The Committee will continue to undertake number of inquiries into the MOD's performance and expenditure plans. A persistent theme of those has been the concerns about how the Government should resolve the tensions between supporting the high tempo of current operations, especially given the urgent operational requirements, and addressing how priority given to those has an impact on force structure and the forward equipment programme. Most commentators expect cost pressures to result in cuts and delays to the forward programme, and perhaps the cancellation of a major programme. The chief of defence matériel told the Committee that he suspected that that would be so, and the ongoing speculation on the matter is inevitable until we learn the outcome of the review that the MOD is undertaking in order better to prioritise its spending plans.

My hon. Friend the Member for Plymouth, Devonport (Alison Seabeck) discussed the concerns about the size and make-up of the fleet. They tend to preoccupy those of us who live, work in and represent big naval communities in a way that does not take account of the equally strong rumour mill that deals with similar scenarios for land and air forces, particularly the Eurofighter—reference has been made to that. Admiral Sir Jonathon Band's warning that the fleet could lose its flexibility if the Government cut back too far on warships and manpower needs to be heeded.

Huge cost savings could be found across the naval and other procurement programmes. Their implementation across the activity that forms the maritime change programme is extremely complex, involving the terms of business agreement for the joint ventures with BAE Systems and VT Group, as well as the Babcock purchase of my local dockyard, and the surface ship support programme and the submarine enterprise collaboration arrangement. They are all taking an extremely long time to dot the i's and cross the t's, and that is proving particularly difficult for those who want to see and understand the shape of the naval defence sector in Plymouth and Devonport.

Since the end of the naval base review, which concluded that all three naval bases were required, I have met the Minister for the Armed Forces numerous times, often with trade union and council representatives, to discuss the long-term future of the dockyard and naval base. Each time, he has gone to great lengths to assure us of Devonport's future and to give as much information as he can. The last meeting was followed by a letter, in which he stated:

"Our overarching strategy is to effectively smooth work across our three bases, to ensure that industry have a steady drumbeat of orders and that each base remains a viable hub for the future. This will inevitably involve optimisation at each location, in order to best deliver the most effective solution. This is not a threat, but an opportunity—in all of the scenarios that we are currently considering Plymouth is a net gainer in jobs."

I hope that my hon. Friend the Minister will be able to confirm that we are still on track to deliver that commitment in Devonport. I thank the Minister of State for all his patience in understanding the many representations that we have made in recent months on that matter. We will continue to make them, as the issue is so important to us in Devonport. We have accepted his reassurances and waited patiently, but that has not been easy, not least because we have watched the Government invest in orders for carriers, destroyers and submarines with high-profile and immediate benefits for shipbuilding dockyards elsewhere in the country, but not—at least as obviously and directly—for Devonport. That has led to a vacuum in which all sorts of stories can flourish. My hon. Friend the Member for Plymouth, Devonport did mention the 57 per cent. increase in the revenue accounts, which suggests that Babcock is doing fairly well at the moment, and we hope that that continues long into the future.

Talk about confidence being sapped from our community, and the death of the dockyard and the naval base—the two are often confused—by a thousand cuts, will continue until we have greater clarity. Such talk thrives on recent decisions such as the one to switch the forthcoming refit of HMS Campbeltown from Devonport, its base port, to Rosyth. Such decisions are taken as symptomatic. I know that HMS Albion, HMS Westminster and HMS Monmouth will keep the yard busy for the next three years, but fears continue to abound about the strategic role for our naval base and the yard in the future.

Devonport is already of course home to the Navy's three amphibious ships, the helicopter carrier Ocean and assault ships Albion and Bulwark. We want to become an amphibious centre of excellence, and the defence estates development plan, published earlier this year, said that a case could be made for regionalisation of the Royal Marines in the south-west, with closer proximity to the amphibious shipping. That has been costed, but is presently unfunded. The long-planned but unfunded aspiration to co-locate landing craft units from RM Poole and RM Turnchapel to Devonport naval base remains on hold. I hope that we will see some forward movement on that in the near future.

I am sure that my hon. Friend the Minister understands that the background is not only about uncertainty or complexity, because it is also about the stories of disregard of, and decline in, the Royal Navy that are rehashed so often by the Opposition and the media. Such stories ignore the changing strategic environment in which the Navy operates and fly in the face of decisions taken by this Government, who ordered the two largest aircraft carriers ever sailed by the Navy. This Government are continuing the modernisation of our amphibious shipping so that it is now stronger than it has been for many decades. This Government equipped our attack submarines with land-attack missiles and are building the Type 45 destroyers and the Astute class submarines—*[Interruption.]*

Yes, the Government are building fewer Type 45 destroyers, but they cost £1 billion each. Those investments are not modest. Indeed, they are part of the biggest shipbuilding programme for one or more generations. That is not to say that there are no issues that need to be addressed. Of course sophisticated anti-submarine and air defence frigates and destroyers will inevitably be built in smaller numbers as they become more expensive, but the Royal Navy still requires sufficient escorts to carry out the numerous and often unsung duties that it undertakes worldwide every day.

When the Minister announced the recent cancellation of the seventh and eighth Type 45 destroyers, he also talked about bringing forward work on the future surface combatant programme, which will succeed the Type 22 and Type 23 frigates, most of which are currently based at Devonport. He was not able to give any detail then, but I hope that it will begin to emerge soon.

I look forward to working with our defence team to ensure that they take the right long-term decisions for our country, both through continuing to scrutinise their work on the Defence Committee and through lobbying to ensure a full and proper role for the defence sector, especially for the naval defence sector in Plymouth, Devonport, for years to come.

5.4 pm

Mr. James Gray (North Wiltshire) (Con): It is a pleasure, of course, to follow the hon. Member for Plymouth, Sutton (Linda Gilroy), whose knowledge of these matters is encyclopaedic. I will seek to be as brief as I possibly can, because I know that several colleagues are keen to speak. I may curtail some of the more interesting things that I had to say in the interests of brevity.

These debates, until a moment ago at least, are often notable for their sense of unanimity across the Chamber. We are all agreed about what a superb, professional and selfless job our armed services do. That unanimity was typified by the superb parade before the summer recess when 120 of the soldiers of 4 Mechanised Brigade, led by a guards band, marched into Parliament through the Carriage Gates. As chairman of the all-party Army group, I can say that we intend to repeat that experience. I hope that subsequent returning brigades will have similar parades. It was great to see all parties in the House, led by Mr. Speaker, welcoming the soldiers to the north door of Westminster Hall.

I also welcome the Under-Secretary of State for Defence, the hon. Member for Grantham and Stamford (Mr. Davies), to his place on the Government Front Bench. I well remember the very powerful speeches that he made when he was shadow Defence Minister, speaking from this side of the Table, and the way in which he criticised the Government so powerfully and extensively. He said that their defence approaches were dreadful. We have researchers at this moment looking into those wonderful speeches, which will certainly come back to haunt him for all his time on the Front Bench. None the less, he will doubtless advance those arguments now within the Ministry of Defence, and so once again that is an example of unanimity.

Parades are vital, and I look forward to one that will happen in Wootton Bassett, in my constituency, this Sunday. It is not a parade to welcome back soldiers from overseas, but a particularly interesting event. Wootton Bassett, in contrast with the fact that we have been hearing about, that only 71 per cent. of people support the armed services, is a unique town and its people have turned out in their hundreds, and in many occasions in their thousands, to welcome back the tragic number of coffins—I think the number is 147 so far—that are repatriated through RAF Lyneham. The mayor, the Royal British Legion and the townsfolk of Wootton Bassett turn out in their hundreds on every single occasion. I often go with them. As a mark of that particularly wonderful ceremony, RAF Lyneham has chosen to turn out to hold a parade not in honour of our servicemen but in honour of the town of Wootton Bassett, which has gone to such great lengths to respect our fallen. That is enormously important.

In the short time available to me, there are a couple of issues regarding RAF Lyneham that I would particularly like to bring to the attention of the new ministerial team. First, RAF Lyneham is to close in 2012 and the Hercules fleet is to move to RAF Brize Norton. As I understand it, Project Belvedere in the Ministry of Defence is considering what to do with Lyneham after the Hercules fleet moves out. The project is looking into how to bring all the helicopter fleets together in one place, potentially at RAF Lyneham. I would be interested to hear from the Under-Secretary of State for Defence, the hon. Member for North Durham (Mr. Jones), when he winds up, to what degree Project Belvedere is alive, well, kicking and moving forward. There are reports that, because of the £2 billion shortage that the MOD is experiencing, the project has been shelved. If that is the case, I would very much like to know what plans the Minister has for RAF Lyneham.

If the helicopters come to RAF Lyneham, they will broadly be welcomed by local people—I would certainly lead the welcome—but there would be concerns none the less, particularly about the noise. I would like an assurance from the MOD that it will enter into useful discussions with the local community about the way in which we can control the flying hours and the flying patterns of the helicopters to minimise the environmental damage that might result for local people.

Another current issue with regard to RAF Lyneham is the inquest being conducted by David Masters, the Wiltshire coroner, into the tragic loss of Hercules XV179 in 2004 in Iraq. Initial evidence given to the inquest, which is happening as we speak, seems to indicate that had the Hercules fleet been fitted with foam suppressant in the wing tanks before now—it appears that reports were circulating in the MOD some years ago that suggested that that should happen—there might have been less likelihood of that appalling crash. I am certain that the Minister would not want to comment on an inquest that is happening at this moment, and I would not ask him to do so. Through the medium of this debate, however, I want to say to the excellent coroner, Mr. David Masters, that if he concludes that there were inadequacies within the Ministry of Defence, as he has done on previous occasions, he will lose no time at all in being robust and outspoken in commenting on those inadequacies, which have occurred under both parties. It is not a party matter—it is an MOD matter—and it is vitally important to RAF Lyneham.

I pay tribute to the other defence institutions in North Wiltshire. We have 9 Supply Regiment at Hullavington, 10 Signals Regiment in the town of Corsham, where 2,500 people provide communications for all

[Mr. James Gray]

three services, and 21 Signals Regiment at Colerne. They make a huge contribution together with the other Army bases across Wiltshire—half the British Army is based in Wiltshire.

We often hear two easy clichés about resources in these debates. The first is to stay that the resources that the armed forces, including the people in my constituency, have at their disposal are woefully inadequate. There are certainly inadequacies—we have heard about helicopters, Snatch Land Rovers not being replaced sufficiently quickly, and there are a variety of other shortages. Of course there are shortages, which have always occurred throughout the history of warfare. No general ever says, "I have got more than enough men and equipment. I am perfectly happy," and we would not expect them to do so.

The second cliché, which is equally easy, was raised by the previous Prime Minister, who said that our troops will have whatever they need on the ground. That is demonstrably not the case, and it is a foolish remark that is too easy to say. Rather than the constant backwards and forwards between those two extremes, we should examine exactly what we are doing around the world.

I pay tribute to the hon. Member for Newcastle upon Tyne, North (Mr. Henderson). During my brief sojourn on the Council of Europe and the Western European Union, which are in my view two entirely useless organisations, my time was enlivened by his contributions to the debates. His remarks in this afternoon's debate were precisely right. It is no good just talking about whether we have enough troops or whether we have the right equipment, because such debates can go on for ever. What we must do—I hope that an incoming Conservative Government will do this—is carefully examine precisely what it is that we are doing around the world and why we are doing it.

We have not done that on Afghanistan, for example. We do not know whether the mission is counter-terrorism, counter-insurgency or counter-narcotics. We do not know whether we are setting up a Guildford look-alike western-style democracy or whether we are simply helping people—there was a fantastic operation to rebuild the Kajaki dam, for example. We do not know what we are doing in Afghanistan. It would be right for an incoming Conservative Government to conduct a fundamental strategic defence review firmly based on foreign policy. The last SDR was not particularly based on foreign policy, and I hope that Conservative Front Benchers will do that when they take on this onerous duty in one or two years' time. The hon. Member for Newcastle upon Tyne, North was right to say that debates such as this cannot simply be about troop numbers and equipment, and they should be much more fundamental.

Finally, we are short of time in this afternoon's debate, which is regrettable. We have few enough defence debates, and the introduction of the topical debate earlier on a Thursday afternoon reduces that time even more. I also wonder whether the structure of these debates, which we have set up over the years, is the best possible. Given the way the world now is, defence in the UK, defence abroad and defence procurement are much more interrelated than they used to be. I wonder whether Ministers, the usual channels or whoever is responsible for such matters will have a little look at the structure of the debates.

We should fundamentally examine not only the way in which our armed services work—they do a superb job with the resources available to them—but what we are asking them to do. When we come to power in two years' time, I hope that our SDR will do precisely that.

5.14 pm

Mr. David Kidney (Stafford) (Lab): I am pleased for my hon. Friends the Members for North Durham (Mr. Jones), and for Grantham and Stamford (Mr. Davies), who have joined the ministerial team, and I wish them every success in their endeavours. In our previous defence debate, I spoke in glowing terms about the glorious day on which we held a joint ceremony in Stafford to mark the granting of the freedom of the borough to the 22 Signal Regiment and the Tactical Supply Wing. Today, contingents from both are deployed in Afghanistan. The residents of Stafford and I hold all those soldiers in our thoughts and wish them the safest of returns home at the end of their tours. The mayor of Stafford, the local newspaper and I are in the middle of an appeal; we set ourselves the target of ensuring that the public donates at least one care package to each and every one of those soldiers while they are away from us, to show that we are thinking of them and working for them, even though they are not with us.

In the previous defence debate, I spoke about Operation Borona, which was mentioned recently, and the possibility of bringing up to 20,000 of our service personnel and their families home from Germany and basing them in this country. Over the next five years, it will be quite a job for us to find places to put those service personnel and their families, and to accommodate them comfortably. My short contribution to this debate will be about that task. Where shall we put them, how shall we accommodate them, and where will the money for the accommodation come from?

As Members have said, the previous Conservative Government gave us one lesson: they showed us how not to arrange accommodation for our military personnel. As others have said, the Annington Homes deal was disastrous. I would like to add one more point to the criticisms made of the deal: the capital receipts of £1.6 billion were not reinvested in the Ministry of Defence, to be spent for military purposes; they went straight to the Treasury. We must be much smarter in future to ensure that when we dispose of surplus assets in our military, we reinvest the money in our military and do not hand it over to the Treasury for other purposes. I point out to Defence Ministers that when they argue those points with Treasury Ministers, I will be on their side.

There are numerous ways in which we provide accommodation for our military personnel. The most obvious way is through direct provision by the Ministry of Defence. Project Slam is an example of that; it involves us paying either to renovate an unacceptable property or to build brand-new properties—single living accommodation—for military personnel. That direct provision will eat up about £5 billion of public resources over the next decade. Clearly, that is not enough to meet existing needs, never mind the needs of the extra personnel

coming back from Germany, so we need to be smarter. There are private finance initiative contracts, and what we call prime contracts. They are an example of the Ministry of Defence taking that smarter approach. We need to look at the lessons to be learned from existing PFI contracts and prime contracts to see what more we can do along those lines.

There are also schemes to enable and assist military personnel to buy their own homes. As for service personnel leaving the forces who hope to rely on social housing for their future accommodation, this year we at long last changed the law to ensure equality of treatment for service personnel and local residents in the places to which service personnel retire, in terms of local connection. That is very welcome.

Once the Ministry of Defence has built or renovated a property, it must manage it efficiently. The two recent Select Committee reports on the subject, produced in 2007 and 2008, show that the Ministry has made a deplorable lack of progress as a manager of property, both in terms of successfully maintaining properties and carrying out repairs at the request of families and military personnel, and in terms of managing voids. Perhaps the new Ministers in the Department might wield a new broom and either sharpen up the Ministry's act, or take away its responsibility for the management of property.

The question of where the military personnel from Germany should go brings us to an issue that has been mentioned at least twice in this debate: the future of super-garrisons. It was suggested in the last defence debate that the west midlands was a potential site for a super-garrison. As a west midlands Member of Parliament, I welcome that. Although the hon. Member for Canterbury (Mr. Brazier) seemed to suggest that a super-garrison would be a new base in the middle of nowhere, it could be a combination of estates and could be added to existing places. I welcome the idea of Stafford being part of the home of a west midlands super-garrison.

We said earlier that we must be smart about contracts and the involvement of private partners in providing accommodation. How we raise money from assets and reinvest it in our estates leads me to suggest that, at Stafford at present, there may be opportunities for those things to be brought together. Stafford borough council, the local authority, is consulting on the local development framework for the area, so it will identify areas of land in Stafford for particular kinds of development; the Ministry of Defence, of course, owns a considerable amount of land in Stafford. It is certainly of interest to the Ministry how its land there is to be treated for planning purposes in future.

I sincerely believe that with the right discussions, land owned by the Ministry of Defence in Stafford can be released for redevelopment and have permission for the most valuable kind of development, and therefore release the greatest capital receipts for the Ministry of Defence. If we then overcome the objections of the Treasury and are able to keep the money in Stafford, we will be able to build the accommodation, as part of a super-garrison, to house the people who come home from Germany with their families. I hope that that is a neat enough trick for the Ministers to want to thank me for my contribution to this debate.

5.21 pm

Ann Winterton (Congleton) (Con): I associate myself with the remarks made by the Government and Opposition Front Benchers at the outset about those who have given their lives in the service of this country and those who have been injured, many of them very seriously. In the same breath, I should like to mention the work of the services charities such as the Royal British Legion, the Soldiers, Sailors, Airmen and Families Association, or SSAFA, and others.

I was tipped the wink the other day and looked at the Help for Heroes website. I hope that the House will forgive me this indulgence, but I should say that I was delighted to see on it a lovely photograph of our only granddaughter, Catherine, aged 10, at a fundraising event. It is good that the young and others are not only aware of the work of such organisations, but actually take part in such events.

It has been accepted by successive Governments and generations of British people that defence policy is not limited merely to the physical defence of the shores of the United Kingdom, but extends to the source of anything that might threaten the long-term peace and security of these islands or of our allies. Our armed forces have long operated around the world and are still called on to do so to bring calm and stability to areas that could threaten our nation directly or indirectly. Although we should not take our eyes off the potential for future conventional warfare and the threat that that would undoubtedly bring, it is highly likely that we will continue to be engaged in counter-insurgency operations in the foreseeable future.

I should like to pay warm tribute to the outgoing Secretary of State for Defence, the right hon. Member for Kilmarnock and Loudoun (Des Browne), who during his watch oversaw the greatest transformation that the UK has seen for a long time as far as equipment, health care, accommodation and the general well-being of our armed forces—particularly the Army—are concerned. He should also be given credit for changing the basis on which our military vehicles were designed and procured, initially against much opposition from within and without the Ministry of Defence; he had the courage to go for the Mastiff and, more recently, the Ridgeback vehicles. The final act was to sign off a £500 million order for protected vehicles, for which all those who serve in the military and their families and friends will be grateful; lives will undoubtedly be saved as a result.

I welcome the two new Ministers and the new Secretary of State for Defence, the right hon. Member for Barrow and Furness (Mr. Hutton), to the Front Bench. I very much hope that we will hear him contribute to the next defence debate. I hope also that he can achieve in the field of aircraft provision what his predecessor did for vehicles. Having campaigned for the use of light aircraft for ground attack and surveillance, I recognise that Watchkeeper will be a tremendous addition to unmanned aerial vehicles when it comes into service in 2010.

There should have been no shortage of helicopters for our troops. Off-the-shelf medium helicopters could have been readily purchased but, as always, the crunch point is crew availability, because it comes down to hours per machine usage. If two or three crews are available, our aircraft can operate round the clock if necessary, whereas flying hours are severely limited

[Ann Winterton]

when only one crew is available. That point was made forcefully by my hon. Friends the Members for Bournemouth, East (Mr. Ellwood) and for Canterbury (Mr. Brazier), who also made an excellent point about volunteer reservists. It will not have escaped the notice of the House that the United States uses a tremendous number of pilot reservists in Afghanistan, and I cannot understand why we cannot train more in this country and think out of the box in order to help to provide the cover that is so desperately needed there.

Afghanistan has been a tremendous proving ground for equipment—it finds every weakness—but hard-won experience there has resulted in very different, but impressively more effective armed forces. It has, thankfully, changed the concept of the future rapid effect system in the nick of time, but I trust that the Secretary of State will not allow slippage back to the mistaken concept of blast absorption for mine and improvised explosive device protection to the now established and proven concept of blast deflection.

What has been proved to be highly successful in Iraq and in Afghanistan is the training of their respective national armies. The British Army mentoring teams have a tremendous track record of leadership on the ground, giving direction and training locals in the use of mutually compatible equipment. However, these newly established armies lack air power. That emphasises the need to use less sophisticated air craft in order that air power can be established in a similar way to the progress that has been established on the ground. Unless this simple "ownership" of defence expertise is acquired by these fledgling forces, the UK military will find itself overseas for ever, giving constant back-up and acting in a supporting role.

In Afghanistan, one of the greatest fears is that reconstruction work may fail in its aims and that, after their military success, UK forces may be dragged into a long, impossible, deteriorating holding situation. There is the problem of a weak central Government holding back provincial government advancement and success, with far too many UK and European Union organisations initiating, and supposedly supervising, aid. The idea put forward earlier that the armed services might play an enhanced role in reconstruction should appropriate funds be diverted to them has considerable merit. After all, the Kajaki dam project could never have been achieved without the military and, although schools and health care are vitally important, infrastructure is essential for the creation of wealth in order to support welfare projects. Otherwise, Afghanistan, like other difficult areas of the world, will become dependent on aid. That would in turn create a breeding ground for corruption and insurgency. We run the danger of going back full circle to where we started, and by allowing instability to develop further in hot spots, we fail the interests and defence of the United Kingdom and its people.

5.29 pm

Mark Pritchard (The Wrekin) (Con): I would like to put on record my tribute to the former Secretary of State, the right hon. Member for Kilmarnock and Loudoun (Des Browne). He was professional, courteous and honourable in all my dealings with him, and I am sorry to see him go. At the same time, I congratulate the new Secretary of State and I welcome the two new Ministers to the Front Bench. I would like to put on record my salute to the courage and bravery of all those in our armed forces who lost their lives over the recess period in the conflicts in Iraq and Afghanistan. I pay tribute to the Royal Irish Regiment, which is returning to Shropshire, as the hon. Member for Telford (David Wright) reminded us, the Royal Military Police, who returned home some months ago, other constituents who serve in the Territorial Army, and reserves in other services and regular units.

As my right hon. Friend the Member for North-East Hampshire (Mr. Arbuthnot) said, one of the best speeches that we have heard on defence in this place came from the hon. Member for Newcastle upon Tyne, North (Mr. Henderson) today. I was going to set out my thoughts on the global context, although I think that I will run out of time. One cannot have a debate about UK defence without looking at the global context, defence alliances, which the hon. Gentleman touched on, or defence equipment.

On the question of defence equipment, one of the greatest foreign policy challenges before us is that of failed states, rogue states or states that are infiltrated by terrorist organisations and radical groups. One country is causing particular concern: I heard a foreign policy expert speak recently on Iran. I hope that Iran and President Ahmadinejad will review their position with regard to the International Atomic Energy Agency and the international community, and that they will allow monitors back in to examine the so-called civilian nuclear programme and the so-called civilian space programme so that the current impasse with that country can be dealt with diplomatically rather than in any other way.

On how that situation may be dealt with, there are only two options if the diplomatic and peaceful route does not proceed as we all want it to. First, we have conventional intervention, which is quite unthinkable, whether it is possible or not—and who would be involved? Secondly, there is nuclear intervention, and of course, no one endorses or wants to see that. However, we have a difficulty from the point of view of geopolitical strategy and that of stability. We do not have the needed flexibility in our current defence equipment. Our military commanders do not currently have certain options available to them and in the future they might need to consider other means to deal with a threat.

If we are unable to use the conventional or nuclear option, what other options are there if diplomacy fails? During the debate on Trident last year, I mentioned hypersonic mass technology. As the hon. Gentleman said, we need to look again at defence equipment and at whether it matches the threats faced by our country and the NATO alliance. I hope that the Government will work closely with the American Administration and the great state of Alabama, which are developing conventional intercontinental ballistic missiles. These missiles are non-nuclear, but they have a far bigger and more powerful punch than any conventional missiles at the moment. Tomahawk missiles and cruise missiles would not be effective enough to deal with the threats in some parts of the world today, which is why we need to ensure that Britain is in the vanguard of developing such weapons. They are not fully developed at the moment, but they could come on-stream in two or three years. They can strike at any target within two hours, launched either from a submarine or a land site. I hope that the Government

will consider such technology, and that the new Ministers will take a fresh look at whether we have the weapons to deal with current threats. They would cost fewer lives and less money than sending in a conventional army, or the use of nuclear weapons, which is completely unacceptable in my view.

Given the time, I will allow those on the Front Bench to conclude.

5.34 pm

Mr. Crispin Blunt (Reigate) (Con): Before Front Benchers are given that opportunity, let me try to make the four points that I wanted to raise. The first concerns the reshuffle. I share the view of my hon. Friend the Member for Congleton (Ann Winterton) on the merits of the outgoing Secretary of State. I regret his passing and I do not believe that the Prime Minister has done the Department a favour. The Government will hit the electoral buffers in 18 months and the entire Department is engaged in the process of getting a new Secretary of State up to speed. By all accounts from those whom I know who ran across him, the outgoing Secretary of State was respected and liked in the Department. The new Secretary of State is as talented as the previous one, and we now know that the previous Secretary of State shares the Prime Minister's warm appreciation, which his successor has on record. That brings me to the rest of the reshuffle.

We now have 25 per cent. more Ministers. That means another ministerial salary and salaries for more ministerial staff. The Under-Secretary of State for Defence, the hon. Member for North Durham (Mr. Jones), shakes his head. Is someone among the Ministers not taking a salary? That would be interesting. However, the increase in Ministers requires the involvement of many civil servants in administration. We all enjoy seeing our old friends and colleagues get on and succeed in Government jobs and, in that sense, it is nice to see the hon. Gentleman taking up his new responsibilities. He has a long involvement in defence dating back to before his election to the House. I think that I first ran across him in 1993 in the Swan Hunter shipyard.

I believe that the hon. Member for Plymouth, Devonport (Alison Seabeck) mentioned the possibility of huge savings in the naval budget, and it struck me that we were in interesting times. I had an exchange with the hon. Member for Newcastle upon Tyne, North (Mr. Henderson) about what happened to the budget in 1988. I envisage a particular role for the hon. Member for North Durham as a trusty of the new regime to ensure that defence is not squeezed in what will undoubtedly prove to be a fierce battle between Departments about priorities in the coming disaster that is overtaking Government finances because of the economic situation and the Government's management of it until now. That battle must be won. If the world experiences the economic conditions that everybody now expects, enormous instability is a likely consequence some years down the line. The crash of 1929 was followed by our being engulfed in the second world war and one can perceive the link between the events. Despite all the pressures on the Government's finances, now is not the time not to invest in the United Kingdom's security.

On Afghanistan, my hon. Friend the Member for New Forest, East (Dr. Lewis) was slightly unfair on Brigadier Carleton-Smith. I have known him for a long time—since university—and I believe that he knew exactly what he was doing when he spoke to the press. I do not think that the press should be blamed for the interpretation placed on his remarks. My hon. Friend was correct to say that they lay precisely within the bounds of military orthodoxy but that there had been a change of emphasis, accompanied by the reported remarks of Sir Sherard Cowper-Coles from Afghanistan. It is important to review what is happening in Afghanistan and I believe that there has been an outbreak of public good sense from those two fantastic servants of the United Kingdom in their respective roles.

Dr. Lewis *rose—*

Mr. Blunt: If my hon. Friend will forgive me, I shall not give way because I have one more minute in which I want to make one more point, which concerns the Gurkhas.

Everyone in the United Kingdom feels warmly towards and has a soft spot for the Gurkhas because of their contribution to this country. Many will have welcomed their court victory the other day, but I just offer a note of caution on that. That victory may turn out to be pyrrhic. We need to remember that the Gurkhas' contribution was based on their terms of service with the United Kingdom. They therefore produced soldiers for the United Kingdom who were adapted to a specific, rather more limited role than English or other British infantrymen would be used for, in the regiments of the Brigade of Gurkhas. Gurkhas of course came cheaply, too. Their conditions of service meant that they did not carry the same pension or other liabilities of other British servicemen.

I see that the hon. Member for Stafford (Mr. Kidney) is still in his place. In the 1991 defence review, the Staffordshire Regiment and the Cheshire Regiment were going to be amalgamated, in order to keep a Gurkha battalion in the line of battle of the British Army.

Gurkhas will now be remunerated on exactly the same basis as other line infantrymen. They will come with an overhead to sustain an organisation in Nepal, in order to keep them in place, as well as an additional overhead to the United Kingdom in the costs involved in their families having the right come here. I fear that the victory that the Gurkhas have won may be pyrrhic, when we look at all the costs and the alternatives.

5.41 pm

Mr. Gerald Howarth (Aldershot) (Con): As is usual on these occasions, we have had an extremely well-informed debate, with some very interesting contributions. I agree with my hon. Friend the Member for North Wiltshire (Mr. Gray) that it is disappointing that the House has not had more opportunity to hear some learned contributions. It is also disappointing that the press do not take more interest in reporting what we discuss here, but we all know that they are much more interested in the trivialities of what goes on here than in much of the substance.

Like my hon. Friends, I pay tribute to the former Secretary of State, the right hon. Member for Kilmarnock and Loudoun (Des Browne). He initially arrived with no knowledge of defence and with the impediment of being a human rights lawyer, but he learnt hugely in the

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post. We all found him most congenial to deal with and we are disappointed that he has gone. He learnt in the post, and he made many friends in the Ministry of Defence and among our armed forces, as he became more knowledgeable and understanding. However, the Prime Minister imposed upon him the impossible task of performing the Secretary of State's duties part time, having given him the duties of the Secretary of State for Scotland, too.

The hon. Member for Halton (Derek Twigg) also served the House well, as well as veterans' interests. He did a good job in that area and the Government can claim to have achieved some success, not least in the creation of a veterans' badge, as the hon. Member for Telford (David Wright) said, which we have all had the opportunity to give to our constituents.

I welcome the new Ministers, although I am perhaps not as charitable as my hon. Friend the Member for New Forest, East (Dr. Lewis). As my hon. Friend the Member for Reigate (Mr. Blunt) pointed out, there are now four Ministers on the Front Bench. That is a 33 per cent. increase, and I am sure that the armed forces would welcome a 33 per cent. increase from the Chancellor of the Exchequer, although that is unlikely at present.

The reason why there are now four Ministers is that the Government have realised that they have been outdone by us. We have four spokesmen and they have had to match the formidable firepower from the Conservative Benches. The Government are going to need every bit of firepower that they have between now and the next general election, when we come storming back to victory.

As has been pointed out, apart from the Minister for the Armed Forces, the rest of the ministerial team are rookies, leaving him, a 12-month server, as the longest-serving Minister. There are challenges that those on the Front Bench will have to contend with, not least the Secretary of State, who will have to do some explaining, given what he told the House in December 1997:

"It is clear that the Royal Navy has borne the brunt of many of the reductions in defence spending in the past 15 to 20 years. That is a serious mistake."—[*Official Report*, 3 December 1997; Vol. 302, c. 275.]

We all look forward to seeing how he will justify the slashing of the Royal Navy's surface fleet, from the 32 frigates and destroyers in the SDR to the present 22. Apart from the huge increase in our commitments, what has changed to justify that reduction in the Royal Navy?

The Under-Secretary of State for Defence, the hon. Member for North Durham (Mr. Jones) and I are old friends and sparring partners on the Defence Committee, and I look forward to his doing something for me. He very kindly gave me an Afghan hat when he came back from Afghanistan, which I have worn, although not publicly. When I came back from Tunisia earlier this year I gave him a red fez, on condition that he was to wear it at the next meeting of his constituency Labour party. I look forward to seeing a photograph of him so clothed.

The hon. Gentleman has now signed up to the unenviable task of answering the innumerable criticisms of the Defence Committee, which is chaired by my right hon. Friend the Member for North-East Hampshire (Mr. Arbuthnot). He is going to have to explain them to the House and to the public or, alternatively—as has been suggested by my hon. Friend the Member for Reigate—fight jolly hard within the Department for the things that he fought for when he was a member of the Committee. The hon. Gentleman enjoys a reputation for having subjected MOD witnesses to severe dressings down, and they will no doubt be thrilled to have him as their Minister now. I can hear the orders for the Château Lafite being given in officers' messes across the land, and I am sure that he will get just as warm a welcome in the sergeants' messes. He needs to start eating some humble pie before he tucks in in the officers' mess.

The Under-Secretary of State for Defence, the hon. Member for Grantham and Stamford (Mr. Davies), having ratted, cannot expect us all to be as charitable to him as my hon. Friend the Member for New Forest, East was. It is entirely true that our researchers are not even working overtime, because there is such a deep seam of his past quotes to mine. I shall content myself with producing only one of them. A few years ago, he said:

"The defence of the country is no longer in the hands of people who care about defence; it is in the hands of the new Labour Treasury. There can be no less safe hands for the defence of this country than that."—[*Official Report*, 13 April 2000; Vol. 348, c. 591.]

I think that the hon. Member for Stafford (Mr. Kidney) almost agreed with that latter point.

We have had a good debate today. In the time available to me, I cannot go through all the contributions that have been made, but I shall single out one or two.

It is good to see that the hon. Member for Plymouth, Devonport (Alison Seabeck) has been unleashed from her Trappist vows and is now giving vent to freedom of expression, which, as a Whip, she would not have tolerated. She said that the Conservatives were not supportive of the United Kingdom defence industry, but that is not true. We are extremely supportive of it, and I refer her to my speech on defence procurement in the House on 19 June.

The hon. Member for North Devon (Nick Harvey) referred to the budget black hole, and he was absolutely right. That is going to be a problem with which Ministers will have to contend. They are going to have to explain how £500 billion can be found for the banks, when a couple of billion pounds cannot be found for the hard-pressed defence forces of this country. The public certainly want to know the answer to that question.

There is much mention to be made of the contribution of the hon. Member for Newcastle upon Tyne, North (Mr. Henderson). What he said was absolutely right. He participated in the strategic defence review negotiations, and the House will undoubtedly have enjoyed his mini-review today. We shall want to study it in more detail.

My right hon. Friend the Member for North-East Hampshire, who does a marvellous job commanding the Defence Select Committee, referred to the report on recruitment and retention, and I want to refer briefly to it as well, if I have time. He also said that we need a strong defence industry and strong defence exports. I entirely agree with him about that.

Next week, on 16 October, we shall celebrate the centenary of flight in this country. There will be a fly-past, which my right hon. Friend can watch, and I will be flying the De Havilland Canada 1—a Chipmunk

sandwiched between a Hurricane and a Vulcan. That spectacle will be on view at Farnborough next Thursday, weather permitting. We will have the opportunity to demonstrate how Britain has made such a contribution to, and led the world in, the aviation business during the past century.

The hon. Member for Telford and my hon. Friend the Member for The Wrekin (Mark Pritchard) drew our attention to the concerns about training in their constituencies. Both of them have been members of the armed forces parliamentary scheme, as, I think, has the hon. Member for Plymouth, Devonport. I think that that speaks volumes for the value of the AFPS.

My hon. Friend the Member for Canterbury (Mr. Brazier) is an absolute expert on reserve forces, and he paid tribute to their role in his speech. He has also produced some excellent reports, which the House would do well to study. The hon. Member for Plymouth, Sutton (Linda Gilroy) said that when the First Sea Lord warns about cutbacks to the naval programme he needs to be heeded. The last one made the same cuts, and he got a peerage, so this one probably can as well.

My hon. Friend the Member for North Wiltshire (Mr. Gray) referred to the repatriation of the fallen through his constituency. All of us will have been hugely impressed by the people of Wootton Bassett in his constituency, whom we have seen on television and who have given the fallen the dignity of a hero's return, for which the entire nation ought to be grateful.

The debate clearly takes place against a background of the darkest possible economic conditions, the full fallout of which we must await and in turn assess in relation to future spending priorities, but we cannot allow those matters, however weighty, to distract us from attending to the needs of our armed forces.

Much mention has been made of the need to look at the new geopolitical situation. For the past year, I have been warning that we ignore what Russia is doing at our peril. While I understand what my hon. Friend the Member for Congleton (Ann Winterton) said about the need to deal with the situation in Afghanistan—much of which task has been done, as she pointed out—it would nevertheless be foolish not to note how Russia is now behaving: invading Georgia, claiming the Arctic and rebuilding its military capability.

I am sorry that the Minister was insulting about our military covenant commission. We have some distinguished people on it and it would be good for him to apologise, because Simon Weston, John Keegan and Rear Admiral Iain Henderson are not people to be trifled with.

Much mention has also been made of Help for Heroes and other charities, which have done a fantastic job. They are much in tune with the public spirit, which is support for our armed forces. The high command has been slow to recognise the public support that exists for the armed forces.

By the Government's own admission, the state of the armed forces is parlous and they have failed to resource the armed forces to meet the current international challenges. Those failings are fully annotated in the Ministry of Defence's own annual report and accounts, but the nation has every reason to take pride in the courage, loyalty and commitment of our armed forces, which continue to set the standards against which other nations are judged. They are supported by a defence industry that is striving to ensure that they have the very best equipment, preferably sourced from the UK, to discharge the responsibilities imposed on them by us, the politicians. Our servicemen and women, together with their families, deserve the best support that the country can give them.

5.52 pm

The Parliamentary Under-Secretary of State for Defence (Mr. Kevan Jones): I start by associating myself with the expressions of sympathy for those who have fallen over the summer and those who have been injured in the service of their country. I thank everyone for their kind words during the debate, although I am not sure how long they will last, and for the cards.

Mr. Simon Burns (West Chelmsford) (Con): It will be the only time.

Mr. Jones: As the hon. Gentleman says, it will be the only time. I also thank everyone for the kind letters that I have received, including one from a member of the Defence Committee, which said, "Your moving on is a little like toothache: you miss it when it's gone."

I also pay tribute to my predecessor, my hon. Friend the Member for Halton (Derek Twigg), and his tremendous work on behalf of veterans, and to the former Secretary of State, my right hon. Friend the Member for Kilmarnock and Loudoun (Des Browne). I thank the members of the Defence Committee, where I had seven and a half wonderful years, and the Chairman and Vice-Chairman for the work that they have done. I also thank the staff and the special advisers for their hard work.

Members will be reassured to know that I am now a fully trained-up member—I have just signed up this week—of the new Ministry of Defence poacher-turned-gamekeeper course. This has been an interesting experience and learning curve, but I must say that I have been welcomed and I acknowledge the enthusiasm and dedication of the staff and military personnel I have worked with in the last few days.

If I do not cover all the subjects raised, I will write to any hon. Members who brought up specific points. The hon. Member for New Forest, East (Dr. Lewis) raised JPA—joint personnel administration. My predecessor commissioned a report on some of the problems and this week I met the Deputy Chief of the Defence Staff and the three principal personnel officers. I have actioned that report and asked them to ensure that it is on the agenda for my monthly meetings; rest assured that I will be on top of it.

Mental health was raised, and members of the Select Committee know that it is an area in which I take great interest. I have had a meeting this week with the Surgeon General and Dr. Ian Palmer of the mental health medical assessment programme. I have asked for work to be commissioned on the issue to ensure that it is a top priority. I know that it is causing concern and I want to ensure that the armed forces get the best mental health care—not just while they are in service, but afterwards.

The hon. Member for New Forest, East (Dr. Lewis) raised the issue of Brigadier Mark Carleton-Smith. I had the privilege of meeting the brigadier in July when I was in Afghanistan. I pay tribute to him and his men for their tremendous work on our behalf. The position is

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clear and not ambiguous: as the Prime Minister said on 12 December, we do not negotiate with the Taliban, but we will work with the Afghan Government in relation to those people who are prepared to renounce violence. As the right hon. Member for North-East Hampshire (Mr. Arbuthnot) knows, we sat down with some people who had done that when we were there. I do not think that the brigadier or the stabilisation team, whom we met in Lashkagar and are doing a tremendous job, would disagree with that approach. Anyone who tries to say that the military are doing everything should look at the stabilisation team working in Lashkagar, because it is a great joined-up effort.

I pay tribute to my hon. Friends the Members for Plymouth, Devonport (Alison Seabeck) and for Plymouth, Sutton (Linda Gilroy) for their hard work on behalf of Devonport and the Devonport strategy group. I understand their frustration, but I reiterate the point made by my right hon. Friend the Minister for the Armed Forces in his letter: there is no equivocation about the Government's commitment to Devonport. With two such strong advocates, I am sure that I will get regular updates. The naval base review will deliver what is planned.

The hon. Member for North Devon (Nick Harvey) covered a few issues, including the future rapid effect system—as the hon. Member for Congleton (Ann Winterton) knows, I am a FRES anorak, along with her, and follow it in detail. She rightly paid tribute to the operational requirements delivered in Afghanistan, and I have seen the protection given to our servicemen and women on the ground in both Afghanistan and Iraq. I pay tribute to the team who have got those urgent operational requirements into theatre.

My hon. Friend the Member for Newcastle upon Tyne, North (Mr. Henderson) made a fantastic speech. I have known him a long time. He and I worked together, along with Lord Robertson, and the GMB trade union is obviously a good breeding ground for Defence Ministers. My hon. Friend takes a great interest in European affairs, and I agree with him that we cannot insulate ourselves from the rest of the world. We need to emphasise that.

The right hon. Member for North-East Hampshire will be pleased to know that this week I met the Deputy Chief of the Defence Staff for personnel and three personnel officers and asked them to do some work on retention—not just in relation to pay, but to find out what else can be done. I received the right hon. Gentleman's letter about his trip to Israel. Not only will I respond to it, but I would like to speak to him about it. I understand his concerns about affordable housing. That issue is on my radar screen, and a piece of work has been commissioned this week.

My hon. Friend the Member for Telford (David Wright) is a strong advocate for his constituency. I think that he is trying to get me to name a ship after him or Telford, which would be difficult. Perhaps he should follow the example of Durham county council, which is proudly associated with HMS Bulwark. He mentioned the success of the veterans' badge, of which 650,000 have been produced. They are valued and welcome in recognising the debt of honour to those men and women who have sacrificed their lives and worked on our behalf.

My hon. Friend also mentioned the situation of those injured and killed on operations. On 10 June the Secretary of State announced a scroll and emblem for the next of kin of those who have lost their lives in action on our behalf. I thank and pay tribute to the *Daily Mirror* for its campaign on that.

With time short, I apologise to other Members whose contributions I will not be able to cover. I find this an exciting brief, and I will ensure that the voice of veterans, and of the ordinary man and woman who serve on our behalf is heard loudly in the Ministry of Defence.

Let me also say, in the spirit of bipartisanship referred to by the hon. Member for New Forest, East, that I want to work with Members in all parts of the House to ensure that we secure not only the best possible conditions but the best possible recognition for our armed forces.

It being Six o'clock, the motion lapsed without Question put.

Gibraltar

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Blizzard.]*

6 pm

Andrew Rosindell (Romford) (Con): I am very pleased to have an opportunity to address the House on the subject of Gibraltar, and I do so with great pride, both as an active member of the all-party parliamentary Gibraltar group and in my capacity as chairman of Conservative Friends of Gibraltar. Both those groups work to fortify the already strong relationship between the peoples and Governments of Gibraltar and the United Kingdom of Great Britain and Northern Ireland. I am proud to be strongly linked to Gibraltar as a result of many years of visiting the Rock and campaigning to support the rights, freedoms and self-determination of the great British Gibraltarian people, and I want to take this opportunity to champion a distinctive, welcoming and loyal British Overseas Territory.

Located on the southernmost tip of the Iberian peninsula, Gibraltar is the gateway to the Mediterranean sea from the Atlantic ocean. The Rock overlooks the Straits of Gibraltar, which separate southern Europe from northern Africa. Small though it may be, consisting of an area of just under 6 square miles and with a population of around 28,000, Gibraltar nevertheless boasts a rich and varied culture and a blossoming economy, and is a fine example of an established, progressive and modern democracy.

As Gibraltar is a British Overseas Territory, its Head of State is Her Majesty Queen Elizabeth II. The Queen is served by the Governor, currently His Excellency Lieutenant-General Sir Robert Fulton KBE, who is the representative of the Crown. The role of the Governor is largely ceremonial, but the United Kingdom still retains responsibility for important areas such as defence, foreign policy, international security and finance.

In London, Gibraltar is represented by Albert Poggio OBE, who is the head of the Gibraltar Government Office and manages a team of dedicated staff in the Strand, looking after the interests of Gibraltar in the United Kingdom 365 days of the year. Albert does a magnificent job for Gibraltar and I pay tribute to him for doing so much to defend and promote it, especially during such politically difficult times. It is thanks to Albert Poggio that Gibraltar has so many friends here in Parliament, in all parts of the House.

The Hon. Peter Caruana, QC, is the elected Chief Minister of Gibraltar, and has served the people of the Rock with great distinction since his election to office in 1996. The Hon. Joe Bossano, as Leader of the Opposition and a former Chief Minister, has also served the people of Gibraltar with immense determination. I pay tribute to both those gentlemen, and to all the Assembly Members and politicians of Gibraltar.

Whatever political differences exist, one issue that unites everyone is their desire to remain British and to uphold the rights of the Gibraltarian people to determine their own destiny. I wholeheartedly support them in that. I earnestly hope that the Minister will take the opportunity to confirm categorically on behalf of Her Majesty's Government that in future they too will uphold the principle of self-determination for the people of Gibraltar, and that never again will the Government seek to impose a constitutional arrangement over the heads of the people as Mr. Blair's Government attempted to do in 2002 under the discredited joint sovereignty proposals.

Indeed, it is a pity that the Minister for Europe, the right hon. Member for Don Valley (Caroline Flint), is not here to reply to the debate herself. After all, it was she who, as Parliamentary Private Secretary to the right hon. Member for Neath (Mr. Hain), was so enthusiastic in supporting what can only be described as a shameful attempt to deny the people of Gibraltar their democratic and human rights. It will never be forgotten that after Gibraltar's 300 years of loyalty to the Crown and to Britain, this Labour Government attempted to raise the Spanish flag above the Rock, entirely against the wishes of the people of Gibraltar themselves. It was a grubby episode that must never be repeated by this or any future British Government. Perhaps, in her new role, the Minister for Europe will find it within herself to apologise to the people of Gibraltar and make amends for the immense hurt that was caused at that time, and particularly to apologise for the role that she played in those shameful days.

However, the people of Gibraltar are strong and will never be beaten, and today Gibraltar goes from strength to strength and remains steadfastly loyal to the Crown and to Britain. Indeed, the history of Gibraltar is rich in its links to Great Britain. Following its capture in 1704, Gibraltar was ceded in perpetuity to Britain in 1713 under the treaty of Utrecht. In 1830, Gibraltar became a Crown colony, strategic to British interests in the Mediterranean. During the two world wars of the 20th century, Gibraltar was used as a vital base for allied naval units. In world war two its citizens were evacuated and the territory turned into a fortress. Indeed, Gibraltar was central to ensuring the success of the allied landings in north Africa in the early 1940s and in the fight against fascism.

Since coming under British influence, Gibraltar and its people have continually had to endure threats from Spain over its sovereignty, which culminated in the closure of the border in 1969. The people and Government of Gibraltar adapted quickly to avoid damage to the economy and benefited from increased diversification, a boom in tourism and increased military spending. Eventually, years later, in 1985, the border was reopened, although only after Mrs. Thatcher's insistence on that before Spain was allowed to join the European Community, but sadly Spanish aggression towards its neighbour continued.

The issue of sovereignty features very strongly in the politics of Gibraltar. Although geographically the territory is much closer to Spain, the people of Gibraltar have fiercely defended their right to remain British. When visiting Gibraltar, the British influence is clear to see. Inhabitants of the territory use the Gibraltar pound, which is interchangeable with sterling. They can post letters in red pillar boxes, watch bobbies on the beat or go for a pint down the Lord Nelson or Pig and Whistle, and sitting in the Chief Minister's office, above Mr. Caruana's desk, hangs, of course, a portrait of Her Majesty the Queen.

The border closure between Spain and Gibraltar in 1969 was triggered, in part, by the events of 1967. Britain had given Gibraltar more power to deal with its internal affairs, but Spain contested British sovereignty

[Andrew Rosindell]

over the territory, claiming that the territory should pass to it. In an effort to reconcile that demand, a referendum was held on 10 September 1967 to determine the territory's future. Voters were asked whether they wished to pass under Spanish sovereignty or remain British, with institutions of self-government. The result was an overwhelming decision by the people of Gibraltar to remain under British rule and reject any suggestion of becoming a part of Spain.

In 2002, another referendum took place, this time on the proposal for joint sovereignty put forward by the then Foreign Secretary, now Secretary of State for Justice. Once again, more than 98 per cent. of people voted against sharing sovereignty with Spain and for remaining British. The joint sovereignty proposals were a cynical move by the Government, putting the future of the territory up for negotiation in order to gain concessions from Madrid relating to the European Union. It was a shameful move that served only to fuel Spain's unfounded territorial claims. However, since the referendum, tripartite talks have taken place between representatives of the UK, Spain and Gibraltar to improve relations and work towards co-operation, without ceding anything to Madrid on the issue of sovereignty. Gibraltar today has a new constitution, with a settled and secure status as a self-governing British overseas territory.

However, I believe that there remains an issue that must still be properly addressed: representation here in the British Parliament. Currently, the people of Gibraltar are permitted to vote in European elections as part of the south-west region of the United Kingdom, but have no democratic representation here in the House of Commons. Indeed, given devolution for Scotland, Wales and Northern Ireland, I see no reason why the people of Gibraltar could not, if they so desired, have their own elected Member of Parliament to speak on their behalf on issues affecting the territory, and on policies and laws decided here in Westminster that directly affect the people of Gibraltar. In the interests of democracy, this issue must surely be addressed one day by Her Majesty's Government.

For Gibraltar, tourism is a significant industry and is an important foundation of its service-based economy. The economic success of Gibraltar is most notable. It has a thriving economy, which is dominated not solely by tourism but also by financial services and shipping. Since 1978 the economy has adapted and changed with the times, having to deal with the closure of the Royal Navy dockyard and the reopening of the border with Spain. The economy of Gibraltar has proved to be highly resilient and able to adapt better than that of most other countries around the world—a very impressive achievement for a territory of its size. That meant that in 2007, Gibraltar's economy was growing at an impressive rate of 6 per cent. per annum, which is very high in comparison with its European counterparts.

Gibraltar's economic affluence is matched only by its cultural and social richness. Gibraltarians have varied roots, including English, Spanish, Italian, Maltese and Portuguese, and all of them feel a strong cultural identity tied to Britain. The majority of inhabitants are Roman Catholic or Church of England, but there are also small Jewish, Muslim and Hindu populations, among others. Many citizens are bilingual, speaking both English and Spanish. Although the people of Gibraltar have many diverse origins, the British influence remains strong and clear to see. English is the sole official language of Gibraltar and is the language of choice in government, commerce and education. Students in Gibraltar who wish to progress into further education do so by attending British universities.

Many tourists are drawn to Gibraltar because of its rich wildlife and breathtaking scenery, which I could not help but observe on my recent visit only last month. As I am sure hon. Members are aware, I have a strong passion for wildlife and conservation. More than 500 species of flowering plants grow in the territory, and olive and palm trees are common. Dolphins and whales are frequently seen in the bay, and Gibraltar boasts a large nature reserve that is home to more than 200 Barbary apes—the only wild monkeys that can still be found in Europe today. It is said that should the monkeys ever leave, so will the British. Apparently, Sir Winston Churchill took this superstition so seriously that he arranged for a fresh consignment of monkeys to be imported to Gibraltar from Africa when he heard that numbers had been depleted during world war two.

Unfortunately for this particular Member of Parliament, the monkeys of Gibraltar do not always extend the same warm welcome that Gibraltarians usually offer their guests. Despite my concern for the well-being of the Barbary apes, in my capacity as shadow Minister for animal welfare, I encountered last month one mother ape that decided to sink her teeth into my left shoulder. I am sure that the Minister has read reports of this in *The Sun*, the *Daily Mirror* and every diary column in this country.

During my visit to Gibraltar, I was honoured earlier last month to join Gibraltar's national day celebrations, on 10 September. The day is a public holiday, when the people of Gibraltar dress in the national colours of red and white. They gather to celebrate the result of the 1967 referendum, when the people of Gibraltar decided to remain British. The streets of the territory are always strewn with both the Union Flag and the red and white flag of Gibraltar, and most years the celebrations culminate in the release of thousands of red and white balloons to represent the people of Gibraltar. The event is a magnificent celebration, as Gibraltarians demonstrate their love of their homeland and their pride in being British.

We in London sometimes forget to give proper recognition to Gibraltar and indeed to all the British overseas territories—it is recognition that they so richly deserve. I once again urge Her Majesty's Government to give Gibraltar and the other British overseas territories the right to lay a wreath, every year, on Remembrance Sunday at the Cenotaph in Whitehall. Such a move would acknowledge the valuable contribution of the people of Gibraltar to the defence of the realm over 300 years and particularly to the second world war effort, and would truly be a fitting way to remember and commemorate all those who laid down their lives for Queen—or King—and country. I hope that the Minister will tell the House whether the Government will agree to the proposal in time for Remembrance Sunday on 9 November.

Another great British custom, the trooping of the colour to mark the Queen's official birthday celebrations, should also recognise Gibraltar and the British overseas territories. I ask the Minister to explain why the flag of

Gibraltar and those of all Her Majesty's overseas territories and Crown dependencies are not flown in Horse Guards parade for that great state occasion. It would be so easy to fly them, and that would mean so much to these loyal subjects, both in Gibraltar and around the world. The time has come to allow Gibraltar to fly its flag at this most British of occasions and to participate in all British traditions here in the United Kingdom. Change is needed, and although those gestures might be small, they would send a positive signal to the people of the overseas territories and a message of pride, patriotism and unity to the rest of the world.

The United Kingdom and Gibraltar share an unshakeable bond. Our relationship is one of deeply held shared culture, historic traditions and a history that has bound us together over more than three centuries. We need to build upon the foundations of that relationship wherever possible. As long as the people of Gibraltar continue to show their desire to remain a part of our great British family, as they have done on so many occasions and continue to do today, we in this House of Commons have a duty to ensure that the freedom and self-determination of the people of Gibraltar are defended, cherished and upheld. Long may British Gibraltar remain a proud territory of the Crown, and may the Union flag continue to fly above the Rock, this day and for centuries to come.

6.18 pm

The Minister of State, Foreign and Commonwealth Office (Bill Rammell): I congratulate the hon. Member for Romford (Andrew Rosindell) on securing this debate. His long-standing interest in Gibraltar is well known, and it has been reaffirmed by his recent visit last month to the Gibraltar day celebrations. I am grateful to him for giving me this opportunity, so soon after taking up my post, to underline this Government's excellent working relationship with the Government of Gibraltar and to reaffirm this Government's commitment to the people of Gibraltar.

My right hon. Friend the Minister for Europe regrets that, as a result of overseas commitments, she is unable to attend this debate, although she will be following it closely. The hon. Gentleman has made it very clear that there is huge affection between the peoples of Gibraltar and Britain, stretching back over 300 years. He alluded to the fact that Gibraltar is full of reminders of that relationship—in its historic fortifications and British military presence. The high level of interest in this House in Gibraltar issues is also an illustration of that close and continuing relationship.

But the relationship is about much more than history. Gibraltar, as the hon. Gentleman said, is a vibrant modern territory. The constitution approved by the people of Gibraltar in 2006 provides for a modern non-colonial relationship with the United Kingdom. Gibraltar's economy is doing well, benefiting from being within the European Union and from a more predictable relationship with Spain, underpinned by the trilateral process. That trilateral process has provided a valuable forum for dialogue between the United Kingdom, Gibraltar and Spain. It addresses practical points and solutions to issues that affect the daily lives of those living in Gibraltar and, indeed, the whole region.

The UK Government's position on sovereignty is clear, and forms the important overall context in which to view the points raised by the hon. Gentleman. In an otherwise excellent speech, the comments that he made about the actions of this Government and the reference he made to raising the Spanish flag above the Rock are without foundation. The British Government have never sought to impose a constitutional arrangement on Gibraltar. I state clearly for the record that the UK will never enter into arrangements under which the people of Gibraltar would pass under the sovereignty of another state against their freely and democratically expressed wishes. Furthermore, the UK will not enter into a process of sovereignty negotiations with which Gibraltar is not content. That could not be clearer. The Government stand by that public commitment to Gibraltar, which is reflected and enshrined in the 2006 constitution and its accompanying dispatch.

As I mentioned earlier, the trilateral forum of dialogue on Gibraltar has been a significant and welcome development since it was established in December 2004 at Chevening. The 2006 Cordoba agreements resulted in a historic package of measures on improved border flows and telecommunications, enhanced use of Gibraltar airport and the settlement of a long-running pension dispute. That has made the lives of citizens in Gibraltar immeasurably better.

My right hon. Friend the Foreign Secretary hosted the second ministerial level meeting of the trilateral forum in London in July. The Foreign Secretary, the Chief Minister of Gibraltar, Peter Caruana, and the Spanish Foreign Minister, Miguel Angel Moratinos, agreed on six new areas of co-operation and a timetable for taking that further co-operation forward. That is very much to be welcomed. The agreed future areas of co-operation cover a wide range of issues relevant to the everyday lives of people in Gibraltar and the surrounding area, including environment, education, financial services, maritime issues and judicial co-operation. The trilateral forum is an ongoing process with great potential and a far-reaching future agenda. However, while the agenda is open, I wish to make it clear that sovereignty has never been discussed in the trilateral forum.

The Government understand the wish of representatives of Gibraltar, and indeed the other overseas territories, to participate in the annual national ceremony of remembrance at the Cenotaph. Ministers have no objection to that in principle. However, there are significant logistical constraints on introducing changes to the ceremony. Any proposals for change need to take account of the extremely limited scope around the Cenotaph for additional participants, and the views of the royal household also need to be sought before any significant changes to the existing ceremony can be introduced. Therefore, the Government are working with Gibraltar's representative in London and the other overseas territories' representatives to consider the issue further.

Like the rest of the overseas territories, Gibraltar does not have political representation in the Westminster Parliament as constitutionally it does not form part of the United Kingdom. Indeed, it is a separate jurisdiction. The people of Gibraltar are able to express their views to their locally elected representatives, just as people in the UK can do to their Members of Parliament. The interests of Gibraltar's voters are served by the Gibraltar Parliament and underpinned by the 2006 constitution. The people of Gibraltar are also able to raise their concerns with the Governor, and have the right to

[Bill Rammell]

petition the Queen or the Secretary of State directly if they wish. The small size of Gibraltar means that people tend to have a much closer relationship with their elected representatives than people in the UK generally have with theirs, and can therefore easily make their views known. Gibraltar's voters are also entitled, as the hon. Gentleman is aware, to vote in European parliamentary elections. Their votes contribute to the election of the MEP representing the south-west region—the constituency is called the South West of England and Gibraltar.

The 2006 constitution provides for a modern and mature relationship between Gibraltar and the UK. Although it gives Gibraltar much greater control over its internal affairs, it does not in any way diminish British sovereignty over Gibraltar and the UK retains full international responsibility for Gibraltar, including for Gibraltar's external relations and defence. The UK is the member state responsible for Gibraltar in the European Union.

The people of Gibraltar exercised their right to self-determination in line with the treaty of Utrecht when they approved the constitution by referendum in November 2006. That is an important point to make to some of the international critics of the constitutional settlement as regards Gibraltar. The fundamental issue is the right to self-determination, which is absolutely in accord with the principles of the United Nations.

The hon. Gentleman also referred to educational issues and the fact that if students from Gibraltar progress to further and higher education, they tend to attend universities in the UK. I had the opportunity of moving from the Foreign Office, where I had been responsible for the overseas territories, to become the Minister of State responsible for higher education. That informed my perspective on these issues, and one change that I was pleased to be able to agree was the right for students from the overseas territories who came to study in the UK to be granted home fee status. That has benefited students in Gibraltar and has been well received.

Let me return to the hon. Gentleman's point about the trooping of the colour. He has asked about the flags at the trooping of the colour, but only flags of Commonwealth countries are flown in Horse Guards road during the trooping of the colour. The overseas territories, including Gibraltar, are not member states of the Commonwealth although they are associated with it. As a consequence—this is a settled position—their flags are not flown.

I am also grateful to the hon. Gentleman for highlighting the diversity and success of Gibraltar's economy, which is the responsibility of the Government of Gibraltar. I agree that Gibraltar has prospered recently, benefiting from diversification and the opportunities provided by its being within the European Union. In recent years, robust financial regulation and a well-run maritime sector have also contributed to that growth. No territory is immune from the impact of the global economic situation, but I believe that Gibraltar has positioned itself very well. We hope that the trilateral process will contribute to an increased economic partnership between Gibraltar and the surrounding area.

I want to thank the hon. Gentleman for his colourful description of the celebrations during his recent visit to Gibraltar. I hope that he has recovered from his close encounter with one of Gibraltar's Barbary apes. I understand that the ape is also expected to make a full recovery—I am sure that the House will be reassured by that fact.

In conclusion, I—along with my right hon. Friend the Foreign Secretary and my right hon. Friend the Minister for Europe—want to echo the hon. Gentleman's appreciation of the work of the Governor, Sir Robert Fulton; the Chief Minister, Peter Caruana; Gibraltar's representative in London, Mr. Albert Poggio; and Members of the Gibraltar Parliament. I thank, too, my fellow MPs who are members of the all-party group on Gibraltar and all those who have worked throughout the House in support of the interests of Gibraltar.

Gibraltar and the UK share a great bond. The UK Government fully intend to continue our excellent working relationship with the Government of Gibraltar and to stand fundamentally by our commitment to the people of Gibraltar.

Question put and agreed to.

Adjourned accordingly at twenty-nine minutes past Six o'clock.

House of Commons

Monday 13 October 2008

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

NEW WRIT

Ordered,

That Mr. Speaker do issue his Warrant for the Clerk of the Crown to make out a new writ for the electing of a Member to serve in this present Parliament for the County Constituency of Glenrothes in the room of John William MacDougall, Esquire, deceased.—*[Mr. Nicholas Brown.]*

Oral Answers to Questions

CHILDREN, SCHOOLS AND FAMILIES

The Secretary of State was asked—

Teaching Life Skills

1. **Mr. Graham Allen** (Nottingham, North) (Lab): What steps he is taking to make the teaching of life skills to pupils between the ages of 11 and 16 years more relevant to the needs of areas with high levels of teenage pregnancy and drug and alcohol abuse and low educational aspiration; and if he will make a statement. [225778]

The Minister for Children, Young People and Families (Beverley Hughes): The flexibility in the new secondary curriculum allows teachers to tailor it to local circumstances and the needs of all pupils. Personal learning and thinking skills, which I agree are critical if children are to reach their potential, are embedded in the curriculum. Through personal, social and health education, young people are helped to develop the social and emotional skills that they need to make informed decisions and good choices. The children's plan announced reviews of sex, relationship and drugs education, and those reviews will report shortly.

Mr. Allen: The Minister will know that the basis of all attainment is adequate social and emotional intelligence, but the provision of life skills education for those aged 11 to 16 is currently not fit for purpose in constituencies such as mine. Sex and relationship education, PSHE, civics and the secondary-level teaching of SEAL—the social and emotional aspects of learning—all create a confused, overlapping and unstructured offering. Will the Minister support Nottingham's early intervention plan to pull together a coherent 11-to-16 life skills curriculum, including modules on preventing teenage pregnancy and reducing drink and drug abuse? Will she ensure that it reaches the years that need it most, and becomes a mandatory, tested and inspected part of the curriculum?

Beverley Hughes: Many schools across the country are already doing what my hon. Friend suggests, using the new secondary curriculum to build an innovative, personalised curriculum for their pupils that has personal thinking and learning social and emotional skills at its heart. Of course, schools now have a statutory duty to promote the well-being of their pupils. The new curriculum gives schools the flexibility to do that. There is an extensive programme of support to enable schools to start developing their curriculum. I understand that only three schools in the city of Nottingham have attended the PSHE events, and that schools there have not drawn down the expert help that we are offering. If my hon. Friend can encourage schools in Nottingham to do that, they can make the same progress that schools across the country are already making.

Angela Watkinson (Upminster) (Con): The ethos of the school and the wishes of parents and governors should be the main driver of the PSHE curriculum. Will the Minister guarantee that there will be no national prescription of the content of PSHE? There are many schools where PSHE is already very successful and reflects the cultural and religious views of the school's community. Where it is necessary, and where there is failure, help should be given, but some schools are already perfectly capable of providing such a service.

Beverley Hughes: The hon. Lady is probably aware that there are two new, non-statutory PSHE frameworks that schools can apply and develop according to the needs of their pupils and the wishes of parents. As I have said, we are currently reviewing sex and relationship education, and will come forward with the outcome of that review shortly.

Mrs. Ann Cryer (Keighley) (Lab): Does my hon. Friend agree that there is another aspect to the lack of education about sex and unprotected sex? Many women today have to undergo invasive, unpleasant and expensive treatment to help them to conceive, but they would not have been in that position if they had had information fed to them at school about the need to have protected sex to avoid conditions such as chlamydia.

Beverley Hughes: I agree with my hon. Friend, who has done a great deal of work on the issue, that the long-term effects of early and unprotected sexual activity and of getting pregnant in one's teens are numerous. She identifies some of the health consequences, but of course there are also other consequences, such as poverty and lack of opportunity later in life. That is why we have put a great deal of effort into reducing teenage pregnancy and making sure that young people can get the advice that they need when they need it on all aspects of sexual health.

Alistair Burt (North-East Bedfordshire) (Con): The new child maintenance and enforcement commissioner recently suggested that children as young as 11 be taught about the consequences of becoming young fathers, and the repercussions of failing to fulfil their parental responsibilities. While that is admirable, does

the Minister think that there is room in the curriculum for such information, and does she think that it will be successful?

Beverley Hughes: I agree, if the hon. Gentleman is making a general point about the need to focus on the behaviour of boys as well as of girls when we try to help young people to make the right choices in relation to sexual activity. I would certainly like to see as much a focus on boys as on girls within SHE in schools and within sex and relationship education. I am sure that that is something on which the review will comment, and I hope that we can take that forward.

Kelvin Hopkins (Luton, North) (Lab): Britain stands in stark contrast to many countries in continental Europe in these matters. For example, only a little while ago in Holland, there was one sixth the number of teenage pregnancies compared with Britain. Is my right hon. Friend looking into why those contrasts are so dramatic, and can we learn something from countries such as Holland that would serve to improve the situation in Britain?

Beverley Hughes: Yes, indeed, I think that we can, and we have been looking at that quite closely. It is true that our relatively high teenage pregnancy rates in this country are long standing, and go back as far as records began, some 40 years ago. In making comparisons, a couple of factors might be associated with the different rates in different western countries. First, in Holland, there is much more acceptance by parents of the subject, and there is a freedom and lack of embarrassment among parents when talking to their children about sexual activity—much more so than here. Secondly, the quality and nature of the sex and relationship education in Dutch schools is something from which we can learn.

Robert Key (Salisbury) (Con): Whether or not it is schools teaching too much sex or parents teaching too little, or the other way round or neither, the fact is that in my constituency, which I guess is typical, the major public health problems among young people are chlamydia and penile warts, exacerbated by excessive alcohol consumption. That is a real problem, and we have been ducking it for years. It is time that we recognised that there is a free-for-all out there among young people, who are not inhibited by the social mores under which most of us grew up. Is it not time that we helped them, and whether the answer is schools or parents, or both, we have to raise the tone of this debate?

Beverley Hughes: I certainly agree that for a minority of young people, that is a problem that we have to take seriously, and we are doing so. The hon. Gentleman is right to suggest that there is clearly a link for some young people between alcohol and drug consumption and unsafe sex. However, I regret the general stereotype that he painted, because it is not true of all young people. We should be careful in the House lest we reinforce the negative stereotypes of young people that we see all around us in the press, which are very regrettable.

Tim Loughton (East Worthing and Shoreham) (Con): I congratulate the hon. Member for Nottingham, North (Mr. Allen) on his excellent work with the Centre for Social Justice and on his co-authorship of the pamphlet, "Early Intervention" because he knows more than most people about the problem, as after 11 years of Labour Government in Nottingham, his city has the highest rate of teenage pregnancies in western Europe and, at 8 per cent., the lowest proportion of people going into higher education. Does the Minister agree that the teaching of life skills is not just the responsibility of teachers battling to fit everything into the curriculum, and that school nurses, parents and other professionals have a key role to play in reducing teenage pregnancies and substance abuse as a precursor to better educational achievement? In that case, why in a parliamentary answer of 3 June from a Health Minister, was it revealed that the grand total of qualified school nurses employed by Nottingham City primary care trust amounted to zero?

Beverley Hughes: The hon. Gentleman is quite right that dealing with the issue at local level involves all the relevant organisations, as well as parents, working together. Health professionals have a clear role to play. I cannot tell him what the figures are for Nottingham, but I will obtain them for him.

Tim Loughton: Zero.

Beverley Hughes: I do not think that that figure is probably right, but I will check it. The number of health qualified professionals working in the community nationally—that includes community nurses, school nurses and district nurses as well as health visitors—has risen under the Government, and I am sure that that will be shown to be the case in Nottingham as well.

Primary Schools (Rural Areas)

2. **Ann Winterton** (Congleton) (Con): What steps he is taking to maintain the provision of primary schools in rural areas. [225779]

The Parliamentary Under-Secretary of State for Children, Schools and Families (Sarah McCarthy-Fry): The Government are committed to rural primary schools. Recognising that small rural schools cost more to run, we provide extra funding to sparsely populated areas, and we calculate the dedicated schools grant in 2007-08 contained almost £188 million funding for sparsity. To protect rural schools, we introduced a presumption against closure in 1998, which has reduced the number of closures by two thirds. In January, my hon. Friend the Minister for Schools and Learners wrote to local authorities, reminding them of the presumption and making it clear that we wanted spare capacity in rural schools to be put to other use—for example, to broaden the services that schools offer in line with the likely future pattern of children's services. We also promote shared governance arrangements between small village schools as a means of addressing financial and educational challenges.

Ann Winterton: I am glad that the Minister agrees with me that the survival of rural primary schools is absolutely vital to the areas that they serve. However, bearing in mind that the prediction of school rolls is an inexact science and that during an economic downturn the birth rate often goes up, does the Minister agree that a reduction of capacity from 105 to 75 places at Church Lawton school in my constituency, for example, is a

contribution to the reduction of surplus places throughout Cheshire, and that Church Lawton as a whole should not be deprived of the school, which is down to be closed?

Sarah McCarthy-Fry: Church Lawton school is not designated as a rural school, and it is the local authority's responsibility to manage spare capacity in all the schools in its area. We can never guarantee that no rural school will ever close, but we hope that given the measures that we have taken, the presumption against closure and by working together to try to get in other children's services, we can protect surplus places and recognise the valuable contribution that rural schools play.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): The presumption against closure is an excellent step forward. What active encouragement is there in respect of the clustering of schools—one headmaster, say, being responsible for two or three schools—as opposed to having to look towards closure? Clustering can be creative and useful. Are the Government giving instruction in that regard?

Sarah McCarthy-Fry: We recognise that rural schools play a vital role. In trying to keep them open, we are helping them to work with other organisations within the local authority and community at the sort of clustering that the hon. Gentleman is talking about. We will issue further guidance.

Sir Nicholas Winterton (Macclesfield) (Con): I support the hon. Member for Meirionnydd Nant Conwy (Mr. Llwyd) of Plaid Cymru who has just put his question—

Sir Patrick Cormack (South Staffordshire) (Con): And your hon. Friend, too!

Sir Nicholas Winterton: Indeed; I also support my hon. Friend the Member for Congleton (Ann Winterton), who put the original question.

Does the Minister not accept that transforming learning communities is causing huge anxiety in rural areas and that schools in rural areas are often the centre of community activity? Will she look carefully at whether the suggestion made by the hon. Member for Meirionnydd Nant Conwy—to have a federation or partnership of rural schools—is the way to ensure that a very large number of rural schools can be kept open?

Sarah McCarthy-Fry: Having federations of schools is one of the ways in which we expect this to work; there is also the sharing of governance arrangements and the use of spare capacity in schools for other children's services. We expect schools across the country to be the centres of their communities. Nowhere is that more true than in rural areas. We will certainly take that suggestion on board; in fact, we are already doing so.

Academy Programme

3. **Bob Russell** (Colchester) (LD): If he will make a statement on the future of the academy programme. [225780]

The Secretary of State for Children, Schools and Families (Ed Balls): May I welcome my hon. Friend the Member for Portsmouth, North (Sarah McCarthy-Fry) to the Front Bench and congratulate Lord Adonis on his further elevation and promotion to the position of Minister of State at the Department for Transport?

Due, in part, to Lord Adonis's important work, 47 new academies opened this September, part of the biggest opening of new schools that we have seen for more than three decades. On top of the 130 academies now open, four more are due to open in January, 80 next September and a further 100 in 2010—well on the way to our goal of at least 400 academies nationwide. Today, I have given the go-ahead to three new academies, in Northampton, Poole and Portsmouth; they all replace national challenge schools.

Bob Russell: May I advise the Secretary of State that although there is much rejoicing at Lord Adonis's move to the Department for Transport, unfortunately the academy locomotive is still steaming down the track? Where local communities have demonstrated as clearly as they did my constituency in May, when the Conservatives lost five seats partly because they want to impose academies on the town, will he listen to those local communities and pick up on the concept of federations as the way forward, not the imposition of academies when people do not want them?

Ed Balls: I congratulate the hon. Gentleman on his appearance at today's Question Time; he is rather lonely on his Benches. [Hon. Members: "So are you!"] There is more than one.

Today, the Minister for Schools and Learners and I took the opportunity to have a discussion with Lord Adonis, who will continue to ensure that he gives us his views on academies. He told me that on Friday he spent some time in the cab of a train, which he said was the most exciting day of his life so far.

The hon. Gentleman will know that the question of whether to bring forward proposals for academies is a matter for the local authority, not for us. It is for the local authority to decide on the way forward and to consult and build a consensus. There are several different ways in which structural change can occur for national challenge schools, and there is the option of a national challenge trust as well. I will wait to see whether Essex proposes academies—that decision is imminent—but it is for the local authority to decide rather than me.

Mr. Bruce George (Walsall, South) (Lab): Will the Secretary of State accept that not everybody is quite as enthusiastic about academies? I do not oppose academies, but, first, the consultation process has to be adequate. Secondly, more than one choice should be given to an authority and to the governors. Thirdly, in my view—I hope that the Secretary of State will agree—somebody who is heavily committed to a political party should not be chosen as the single sponsor. Fourthly, in a school where a high percentage of the kids come from a range of religions, the person chosen as sponsor should not be a little off-centre with his own religious views and proselytising skills.

Ed Balls: Given those comments, I am not sure whether "off-centre" means lurching to the left or to the right, but I will not comment on the individual case of a sponsor. It is of course extremely important that the consultation is done properly. I am pleased that more than half our universities are now coming forward as sponsors of academies. It is very important to forge a consensus in the governing body, in the school and among parents as to the way forward. The important thing to say, though, is that academies are delivering results faster than average, often in the poorest communities, so they provide real opportunities for young people in our country.

Mr. Mark Field (Cities of London and Westminster) (Con): I very much support the academy programme, which is making a great difference in my constituency at the erstwhile Pimlico school, which has had academy status. However, one concern is brought up time and again—that whereas the old school had no fewer than seven parent governors, the new academy constitution allows for just one parent governor. What does the Secretary of State think of that? In future, will the treatment of parent governors ensure that academies can have a proper rooting in a local community?

Ed Balls: It is very important that the sponsor is able to lead the school, but it is also vital that parents are properly involved in the school. There is a clear requirement as regards parent governors, but there is also a minimum requirement. It is open to the school to have more parent governors, or alternatively to have a parent council. It is vital to our reforms that there is more active engagement and involvement of parents in setting up and managing schools. We are currently taking forward proposals for 100 co-operative trust schools, which will actively engage parents as members of the school community. There are different ways in which this can be done, but every school, including academies, needs to ensure that it involves parents properly.

Kerry McCarthy (Bristol, East) (Lab): A year ago, the Secretary of State and the Prime Minister opened a new school in east Bristol that exemplifies what the Government are trying to do to improve educational standards in deprived areas. It is an academy, it is a federated school, and it was the first school to be completed under the Building Schools for the Future programme. I thank the Secretary of State for returning to Bristol Brunel academy this month. Does he agree that what he saw on that visit proved that Labour's education reforms are working?

Ed Balls: The fact that the rise in results over the past 12 months was so dramatic shows that our education reforms are working. Bristol Brunel academy has a fabulous new building and great leadership. The teaching staff are really onside for it, and the results speak for themselves. We want to have more academies like Brunel around the country. I look at it and am proud at what a Labour Government are delivering in Bristol.

Mr. Graham Stuart (Beverley and Holderness) (Con): The Secretary of State may have been envious of the success and cross-party support enjoyed by the architect of the academies programme, Lord Adonis, but was that really reason enough to force him out?

Ed Balls: That was rather a silly question, if I may say so. Lord Adonis was promoted from Under-Secretary with responsibility for schools to Minister of State at the Department for Transport and, as he has said very clearly, he went to the Prime Minister and said that because academies were now embedded as part of our schools system and were so successful, he wanted to move to a new challenge. I fully backed that. I tried to persuade him to stay at our Department because I thought he was doing a brilliant job, but he wanted a new challenge. We have an excellent successor in the Minister for Schools and Learners, who will lead the academies programme forward. My advice to the hon. Member for Beverley and Holderness (Mr. Stuart) is to ignore the gossip and look at the facts.

David Taylor (North-West Leicestershire) (Lab/Co-op): Given the ascension of the spiritual leader of academies to the Department for Transport, and given that private sector investment is being withdrawn, that there are disproportionately high exclusion rates and that there is opposition from parents in Bolton, Camden, Colchester, Sheffield and a number of other places, would it not be kinder to draw a veil over this unfortunate experiment so that local authorities can go back to running schools, giving a voice to the communities that those schools serve?

Ed Balls: The answer is no. That would be the wrong thing to do.

Michael Gove (Surrey Heath) (Con): First, I congratulate the Under-Secretary of State for Children, Schools and Families, the hon. Member for Portsmouth, North (Sarah McCarthy-Fry) on her elevation to the Front Bench, and may I also congratulate the Minister for Schools and Learners on his elevation to the Privy Council? Both are richly deserved promotions.

Since taking over his Department, the Secretary of State has deprived new academies of many freedoms and he has sacked Sir Cyril Taylor, the guiding spirit of the Specialist Schools and Academies Trust. Now he is deprived of the services of Lord Adonis. To lose one of the parents of the academies programme might seem like a misfortune, but to lose two looks rather like carelessness. In the past few months, we have discovered that the Government have cut core funding for the Specialist Schools and Academies Trust from 60 per cent. of the trust's income to just 20 per cent. Is the academies programme still safe in the Secretary of State's hands?

Ed Balls: That question was even worse than the one from the hon. Member for Beverley and Holderness (Mr. Stuart). The Specialist Schools and Academies Trust is expanding its role in schools throughout the country. It is helping us to take forward our academies programme and, through the national challenge, our proposals for national challenge trusts and wider specialisms. The appointment of the chair was a matter for the trust and was not something that I was involved in at all. Lord Adonis was promoted and is moving on to new challenges because we are accelerating our academies programme. As I said, today we are announcing three new academies: the Unity college in Northamptonshire, the Rossmore school in Poole and St. Luke's in Portsmouth. Those academies are all national challenge schools,

which will see their standards rise because of the injection of new funding and support that can come from an academy.

The suggestion that I have taken the academies programme backwards in the past year is complete nonsense. I have brought more universities into our academies programme than ever before, I have made sure that our academies are teaching the core parts of the curriculum, while retaining their basic flexibility, and I am building a broad-based consensus about the importance of academies in our country, which would be put at risk by the cuts to the Building Schools for the Future programme proposed by the hon. Member for Surrey Heath (Michael Gove). He is talking complete nonsense. It is my party that will take forward the academies programme; it is his party that would put those investments at risk.

Michael Gove: It is interesting to see that the Secretary of State decides to reward success by kicking Lord Adonis out of his Department and decides to back academies by cutting funding for the body behind them.

Talking of cutting funding, may I ask why the Government have also denied funding to Teach First, preventing a charity that does so much to help academies expand into the north-east from doing its work? Can we have an assurance from the Secretary of State that he will remain true to the academies programme not just in name, but in spirit, and that he will endorse the vision outlined by Lord Adonis of "independent state-funded schools" influenced by "the successful Swedish experience", which operate "outside the local authority system"?

Ed Balls: Once again, what we are getting from the hon. Gentleman is laughable, bombastic nonsense. The fact is that we are expanding the Teach First programme, not cutting it. We introduced it, and we are expanding it. We are accelerating our academies programme. Again, we introduced it and we are expanding it. We are bringing more sponsors into our academies programme and putting more money in. We now have more academies coming forward year by year than before I arrived in the Department. The fact is that the hon. Gentleman's so-called Swedish proposals, which would cut £4.5 billion from the constituencies of Conservative Members, would be the biggest threat to our academies programme and our school building programme.

I am happy to have these debates with the hon. Gentleman. It is good to see that he is at last willing to have discussions during oral questions about the future of our school building programme because, over the next 18 months, we will expose the grave risks to our school system that he represents.

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): Milton Keynes academy in my constituency is being built as we speak, superseding the Sir Frank Markham school, which has had a rather troubled history. The academy is greatly welcomed by the students, their parents, their teachers and the local community. May I urge the Secretary of State to concentrate on taking this policy forward and to rise above the ridiculous personality-obsessed politics of the Opposition?

Ed Balls: I would be very happy to take my hon. Friend's advice.

UK Council for Child Internet Safety

4. **Mr. John Whittingdale** (Maldon and East Chelmsford) (Con): What progress has been made on the establishment of the UK Council for Child Internet Safety; and if he will make a statement. [225781]

The Minister for Children, Young People and Families (Beverley Hughes): On 29 September, the Government launched the UK Council for Child Internet Safety, an unprecedented coalition of 100 organisations dedicated to working with us on improving internet safety for children and young people. Reporting directly to the Prime Minister, the council will work to implement the recommendations in Dr. Tanya Byron's landmark report, "Safer Children in a Digital World". This launch fulfils the Government's commitment set out in our action plan, which we published last June following the Byron review.

Mr. Whittingdale: I welcome the establishment of the council, but will the Government and the council now consider the recommendation of the Culture, Media and Sport Select Committee that the industry should come forward with a self-regulatory body to implement the council's recommendations, to publish performance statistics and to adjudicate on complaints arising when member bodies do not meet those recommendations? Does the Minister not feel that the establishment of such a body would help to improve public confidence that everything possible is being done to increase our children's safety online?

Beverley Hughes: I thank the hon. Gentleman for his question. I also thank him for the work that he has done on this matter through the Select Committee and for the Committee's report, to which we will respond shortly. Everyone on all sides, and particularly the Government, agrees that there needs to be stronger self-regulation by the industry on a whole range of fronts. Self-regulation is the right way to go, given that many of the internet sites are hosted outside the United Kingdom and are therefore outside our jurisdiction. We therefore need very strong self-regulation. We are open to discussion on whether that would involve a particular body or a new body. The industry is well represented on the council, as the hon. Gentleman knows, alongside other sectors to which we shall also want to listen. We are open to discussion on how we get there, but much stronger self-regulation is absolutely imperative. On that, I agree with him.

Dr. Brian Iddon (Bolton, South-East) (Lab): Zentek Forensics in my constituency has analysed the use of the internet by several school pupils, and the news is not good. They are undoubtedly accessing undesirable internet sites by breaking through the firewalls that the schools provide. What advice is my right hon. Friend giving to all schools to prevent that from happening?

Beverley Hughes: We have already given quite extensive advice to schools, but we also want the council to consider whether we need to go further in that regard. Another aspect of the council's work is to help us to progress our commitments on providing public education and public information to parents, children and young people. This is an important part of the range of factors

that we need to address so that young people can understand the dangers that they face when they enter inappropriate sites with inappropriate content.

Mr. David Evennett (Bexleyheath and Crayford) (Con): I am very interested in what the Minister said about parents, because it is essential that more guidance and information are given to parents so that they are able to understand the mechanisms that restrict access to unsuitable sites. May I urge the Minister to make giving parents that information a top priority in public education?

Beverley Hughes: Yes, that important strand of the work is now going ahead. We have accepted Tanya Byron's recommendations for a public information awareness campaign and we have put in £9 million to develop an authoritative one-stop shop or site on the internet where parents can go for advice and information. We also want to ensure that we suffuse information about e-safety over other helplines and internet sites that we fund to provide parents with information more generally, so that they can get the advice that they need.

Ms Sally Keeble (Northampton, North) (Lab): Would my right hon. Friend ensure that any recommendations from the UK Council for Child Internet Safety apply equally to private and state schools? In particular, will she close the current loophole whereby directors of children's education services have no power to intervene in independent schools in order to protect children's well-being?

Beverley Hughes: We have a very good relationship with private schools on a range of matters through the Independent Schools Council. Independent schools are certainly very willing to work with us on issues concerning the safety of children. I will certainly take on board my hon. Friend's comments.

Sex and Relationship Education

5. **John Bercow** (Buckingham) (Con): What recent assessment he has made of the quality of sex and relationship education in schools. [225782]

The Minister for Schools and Learners (Jim Knight): As part of the children's plan, we have given a commitment to review best practice in effective sex and relationship education and its delivery in schools. We have fully involved young people in the review, many of whom told us that they did not have the knowledge they needed to make safe and responsible choices about relationships and sexual health. We expect to announce the review's recommendations shortly.

John Bercow: I am grateful to the hon. Gentleman for that extremely informative reply. Given the chronic rates of teenage pregnancies in this country, the rising incidence of sexually transmitted infections among young people and the description by the Qualifications and Curriculum Authority of our sex and relationship education as patchy, will the Minister now heed the call by the Sex Education Forum to make sex education part of statutory personal, social and health education, to be delivered by a qualified work force in an age-appropriate way, as a matter of priority?

Jim Knight: As ever, the hon. Gentleman makes his points clearly and forcefully; I always listen to what he has to say. Teenage pregnancy rates have fallen by 12.9 per cent. over the past 20 years, so, although there is further to go, we have made some good progress. The hon. Gentleman is right, however, that we need to improve the consistent quality of sex and relationship education. I have received many strong representations for making personal, social and health education statutory in order to address the problem. I think that that is only part of the argument, but we will make our announcement shortly.

Mr. Neil Gerrard (Walthamstow) (Lab): I am sure that my hon. Friend is aware that Ofsted has said that a substantial amount of PSHE is not satisfactory and that too many teachers are not well qualified to teach it. Will the Minister also heed that the PSHE Association, which supports teachers, has said that in many cases teachers find it difficult to get time off for professional development in that subject because the school does not regard it as a high priority? Making the teaching of PSHE statutory would, I am sure, help schools to give the subject the priority it deserves and secure better qualified teachers.

Jim Knight: My hon. Friend is right that Ofsted has raised concerns about the consistency of the quality of the teaching of sex and relationship education. That echoes the work of the UK Youth Parliament and the Sex Education Forum, which each conducted a survey of young people that showed that about 40 per cent. and a third of young people respectively said that the sex and relationship education they received was not good enough. We set up the PSHE Association in order to improve its overall quality. I am listening closely to the argument that my hon. Friend makes for statutory provision of PSHE.

Sir Patrick Cormack (South Staffordshire) (Con): Whatever may be done in secondary schools, is there not something deeply disturbing about a society in which young primary school children can be taught the mechanics of sex by those who are not allowed to put a comforting hand on their shoulders?

Jim Knight: The hon. Gentleman raises an interesting philosophical point. It is important that we as a society allow better sex and relationship education in both primary and secondary schools without sexualising young people too early. It is right to share the responsibility between home and school: it is not something that schools can deliver on their own; parents need to have a loud voice in how sex and relationship education is delivered for their children. As a Government we put the safeguarding of children as our highest priority and we will continue to do so.

Jeff Ennis (Barnsley, East and Mexborough) (Lab): On that very point, before entering this place I had 20 years' experience as a teacher. I once had a post teaching health education, including sex education, at Hillsborough primary school in Sheffield. It was always my view that the best way to teach sex education was to do so in the early years at primary school, so involving the parents before the children reached the age of puberty. Does the Minister agree that we are talking

about the beginnings of teaching sex education and that that ought to be done in the primary sector, rather than leaving it to the later stages in secondary school?

Jim Knight: My hon. Friend is right that the international evidence suggests that teaching aspects of sex and relationship education before puberty has a positive effect on such things as teenage pregnancy rates. Clearly, that has to be done with a high degree of sensitivity and, as he says, the involvement of parents, with children reaching puberty at different ages. We must ensure not only that, as a society, we are comfortable with the level of detail and of education that people receive during sex education, but that we are strong on relationship education. We are proud of the introduction of SEAL—the social and emotional aspects of learning—which my shadow described as ghastly, but which is improving relationship education in primary as well as secondary schools.

Mrs. Maria Miller (Basingstoke) (Con): The Government's guidelines clearly say that sex education has to be delivered in the context of relationships to be effective, but the Youth Parliament has already shown that four out of 10 youngsters have not received any relationship education while at school. For more than six years, Ofsted has been calling for fundamental changes in how sex and relationship education is taught in our schools and the Minister's new review is welcome, but when will he be able to reassure parents and young people that action has been taken and that every child will be taught sex and relationship education by a teacher who understands best how to deliver that challenging subject, because they have had some training in it?

Jim Knight: I would be happy to proceed on the issue on a cross-party basis, and I would be delighted to meet the hon. Lady this week if she would like to discuss where we might end up with our review. She is right that it is important that we have strong relationship education as well as sex education. It is important that we have listened to the voices of young people. That is why I co-chaired the review with a member of the UK Youth Parliament, which did such useful work in its survey of more than 20,000 young people.

School Meals

6. **Mr. Robert Goodwill** (Scarborough and Whitby) (Con): If he will make a statement on the uptake of school meals in secondary schools. [225783]

The Secretary of State for Children, Schools and Families (Ed Balls): The latest School Food Trust survey shows that take-up of school meals in England at secondary school level stabilised between 2007 and 2008 at just below 38 per cent., which brings to a halt the steady decline that we have seen since the mid-1970s.

Mr. Goodwill: Schools up and down the country are banning all sorts of ingredients, such as Marmite and tomato ketchup. My favourite food, in common with many children, is chips. Will the Secretary of State explain why oven chips, which contain less than 5 per cent. fat and qualify for three green traffic lights, are subject to the same restrictions as their deep-fried unhealthy alternative?

Ed Balls: I was at two schools on Friday, both of which were serving chips. There are restrictions on the serving of chips, but not an outright ban. As for the detail of the difference between deep-fried and oven chips, the matter has been gone through in detail by the School Food Trust over the past couple of years during consultation with the industry. There are fewer restrictions on certain products than on others, depending on the nutritional content of the food. I shall not go into the detail of the precise nutritional content of oven chips—that is something I shall leave to the experts.

Mr. David Kidney (Stafford) (Lab): Having last enjoyed a delicious Staffordshire school meal only two weeks ago, may I congratulate my right hon. Friend on the great improvement in the quality of meals over the past three years, which is leading to more locally sourced ingredients and healthier, fresher food? However, at this year's Labour party conference, did my right hon. Friend note the concerns expressed about the affordability of school meals, and the calls for a broadening of the entitlement to free meals? Might the money that he has been given jointly with the Department of Health make it possible to offer all new entrants an initial free trial of school meals, so that they and their parents can become used to the quality that such meals now offer?

Ed Balls: A number of local authorities are already doing precisely that. A couple of weeks ago, my right hon. Friend the Secretary of State for Health and I had lunch with a group of five-year-olds in a Bolton primary school that offered free meals throughout the first term of the reception year. We have put more than £240 million into subsidising ingredients over the next three years. We have also announced that we will conduct a £20 million pilot in two local authority areas to assess the impact that free school meals in primary schools for all children can have on health, discipline and learning. We will examine the results in detail, and then consider the next steps.

It is still of concern to me that slightly more than half our primary school children are not having a hot meal at lunch time. I should like to see the take-up increase, and I hope that the free school meal pilots will help us to work out how we can achieve that.

Topical Questions

T1. [225803] **Mr. Philip Hollobone** (Kettering) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Children, Schools and Families (Ed Balls): This afternoon I am publishing for Parliament our 14-to-19 implementation plan. I welcome recent endorsements from Ofsted and the Public Accounts Committee of our focus on quality rather than quantity. Consistent with that approach, the latest figures from local consortiums show that 12,000 young people started diploma courses this September. I am also announcing today plans for a world-class academy—the Joseph Cyril Bamford academy—in Staffordshire that will cater exclusively for diploma students. All the Russell and

1994 groups of universities are now accepting our diplomas, and Wellington college was the first major independent school to announce that it would offer the engineering diploma from next September.

Education maintenance allowances are vital to ensure that students from low-income families stay at school or college after the age of 16. Following processing delays in recent weeks, as of last Thursday 580,000 of the 682,000 applications received had been processed. The backlog has fallen from 155,000 a few weeks ago to 92,000 at the end of last week.

The Schools Minister has today written to all colleges to express his disappointment at the continuing delays, to assure them that the contractor and the Learning and Skills Council are doing all that they can to process the remaining applications as quickly as possible, and to inform them that he has agreed with the LSC that if any college has insufficient funds to cover the needs of students in hardship, it should contact the LSC to discuss the need for additional funds so that no learner loses out.

Mr. Hollobone: During the recess, the Secretary of State wrote to all secondary schools in the country encouraging them to participate in the Give and Let Live donor education programme for 14-to-16-year-olds. Given that the Northamptonshire-based Jeanette Crizzle Trust, of which I am pleased to be a trustee, recently commissioned independent research which demonstrated that only 3 per cent. of schools were taking part in that important programme, what level of take-up does the Secretary of State expect this year as a result of his letter?

Ed Balls: This subject has been close to my work and that of many other Members in recent months. I am sure that Members in all parts of the House will wish to send their condolences and sympathies to the parents of Adrian Sudbury, who sadly died in August. He had campaigned for more information and support in schools in regard to blood and bone marrow transplants. The memorial service for Adrian is on Friday, and I shall be meeting his parents tomorrow.

As part of the commitment that I made to Adrian in August, I said that the Secretary of State for Health and I would write to all secondary schools to ensure that they had information about the Give and Let Live programme, and also that we would update the pack of material that goes to secondary schools to encourage more young people to become donors. I know that the hon. Gentleman himself has campaigned on this issue for a number of years. The research commissioned by the Jeanette Crizzle Trust was conducted before the mailings in September, and revealed that the majority of schools surveyed were not aware of the details of the material.

We will push hard to ensure that all schools publicise the importance of the Give and Let Live campaign, and the importance of young people becoming donors through their curriculum and in other ways through their schools. We will do so informed by that research. As I have said, tomorrow I will be talking to Adrian Sudbury's parents about how we can proceed with the campaign even after his death.

T4. [225806] **Kerry McCarthy** (Bristol, East) (Lab): The Saturday before last, I joined four Labour Cabinet Ministers and thousands of others at the "keep the promise—end child poverty" rally in central London. Can the Secretary of State tell the House what assurances he gave to campaigners when he met them on that occasion? Does he share my concern that there is no way that the UK will meet its promise to abolish child poverty if we elect a Conservative Government at the next election?

Ed Balls: There were representatives from all political parties on the march the other week. I was pleased to be there, and to meet my hon. Friend's constituents and others as part of that march. It is very important that we reaffirm our commitment, goals and targets to halve child poverty—then double that—by the end of the next decade. The measures in the Budget that were introduced in spring this year will take hundreds of thousands of children out of poverty. The thing that concerns me is that the money that is needed to pay for the measures to reduce child poverty were all opposed by the Conservative party.

T2. [225804] **Mr. Henry Bellingham** (North-West Norfolk) (Con): Will the Secretary of State investigate the plight of 16 to 19-year-old students in further education who are having problems accessing their maintenance grants as a result of failings by the contracting company Liberata? Why has that situation been allowed to arise? Is it not yet another example of his Department failing to manage important commercial contracts?

Ed Balls: I do not think that it is, but, as I have said, the Schools Minister has written today to all colleges throughout the country. An issue arose in August in that the contractor was unable to meet the demand at that time because of its IT processing and calls to its helpline. There has been active work by the contractor and the Learning and Skills Council to get those matters under control, which is being achieved. It is important that those problems are scrutinised and I was pleased that the Select Committee on Children, Schools and Families announced that it is planning to consider them. It is important that we learn lessons. We regret what has happened but it has fundamentally been a failure of the contractor and its IT systems.

T3. [225805] **Bob Russell** (Colchester) (LD): Will the Secretary of State accept that Essex county council has no mandate from the people of Colchester when it comes to academies? If he is looking for consensus as to the way forward, will he not accept that, where communities wish to have academies, let them have them, but where communities do not want academies, let them keep what they have, build on the federation but have the resources that would otherwise go to the academy?

The Minister for Schools and Learners (Jim Knight): I have met the hon. Gentleman and debated that issue with him on more than one occasion. He knows that our priority is to ensure that all children, including his constituents in Colchester, get the education that they need in order to prosper. Frankly, the results in some of the schools in Colchester are not good enough. We will do whatever it takes, including establishing academies if that is what is appropriate, working with the county council, to ensure that the young people whom he represents get a high-quality education.

T6. [225808] **David Taylor** (North-West Leicestershire) (Lab/Co-op): The Office for Standards in Education has found on a number of occasions that Blackfordby St. Margaret's Church of England primary school in North-West Leicestershire is a good school with outstanding features and is popular with the local community that it serves. As a result, it is bulging at the seams. Can the Secretary of State discuss with me why the standards and diversity fund bid from that school to undertake major capital works that are highly desirable has been bounced back? It seems to fit the bill as a successful and popular school, particularly in relation to the restoration of the primary age range. I would like to have an opportunity to see either the Secretary of State or the Schools Minister as urgently as possible.

Jim Knight: Naturally, I am happy to talk to my hon. Friend about the capital bid. We have been working on the primary capital programme in recent months to ensure that primary schools start to benefit from the sort of investment that we are seeing across our secondary school programme. We were delighted in September to be able to open 130 brand-new schools, some of which were primary schools, but I will be happy to meet my hon. Friend to see whether more needs to be done in his constituency.

Mr. David Laws (Yeovil) (LD): In the Westminster Hall debate on Thursday on testing, the Schools Minister indicated that in 2010 key stage 2 and key stage 3 tests may not go ahead in their existing form. Is that also the view of the Secretary of State?

Ed Balls: I made it clear in my statement to the House back in July that the principle of externally marked national tests was very important and that it would be completely retrograde to go back to the old pre-test days when there was not proper information for parents on the performance of either their child or their primary school, but I said that the current system is not set in stone and that we were studying very carefully the Children, Schools and Families Committee report on testing and assessment, which we have been doing over the summer.

T7. [225809] **John Robertson** (Glasgow, North-West) (Lab): As chair of the all-party group on communications, I welcome the Government statement on home access grants. This will help families in the use of the internet, but, according to Ofcom, Glasgow has the lowest uptake of the internet in the whole country. Will my hon. Friend have a word with Ministers north of the border to ensure that the money they are given goes to the places where it is supposed to go, so that the children in my constituency can receive the same innovative resource as children in England?

The Parliamentary Under-Secretary of State for Children, Schools and Families (Sarah McCarthy-Fry): I entirely agree with my hon. Friend about the importance of having home access to a computer. Currently, there are about 1 million children who have no access to a computer in the home, and they are disproportionately from disadvantaged backgrounds, which is reinforcing the attainment gaps. It is a great pity that the Scottish Executive have not yet followed our excellent example, and if they do not do so, I am sure that the voters of Glenrothes will take that into account on 6 November.

Mr. Nick Gibb (Bognor Regis and Littlehampton) (Con): More than 90,000 students are still waiting to receive their education maintenance allowance. I listened very carefully to what the Secretary of State has said during this Question Time, but Liberata, the company to which the Secretary of State awarded the £75 million contract, had a well known poor track record, just like the company the Government contracted to administer the standard assessment tests; the Financial Services Authority described Liberata's record as reckless. Are not those 92,000 students owed an apology from the Secretary of State, and will he this afternoon commit the Government to an independent inquiry so that we can find out, yet again, what went wrong with the way in which his Department is administering its responsibilities?

Jim Knight: The company is a contractor to the Learning and Skills Council, so their relationship is a matter for them, but I am pleased, after the initial problems with the IT system and the helpline to which the Secretary of State referred, that the contractor has been able to apply resources so that the processing backlog, for example, has now decreased from 147,000 on 1 October to 111,000; that is making very significant progress in eating into what is a highly regrettable problem. The LSC, as the responsible agency, has apologised, and we welcome scrutiny of this, which is why we welcome the Select Committee's inquiry.

T9. [225812] **Hugh Bayley** (City of York) (Lab): The quality of schools depends primarily on the quality of teachers, and almost all of us remember one particularly good teacher who inspired us and gave us enthusiasm for a subject and self-confidence. Mark Barnett, the head of Westfield primary school in York, is that kind of teacher; he has just been declared the Yorkshire teacher of the year. Will the Secretary of State congratulate him, and will he tell the House what the Government are doing to train and incentivise more teachers to be as good as Mark Barnett?

Ed Balls: I am very happy to congratulate the head of Westfield primary school in my hon. Friend's constituency, and to mark the fact that he is the Yorkshire teacher of the year, and to regret only that the national teacher of the year did not come from Yorkshire—although I met the excellent teacher from Bath who won that award, and she was also a truly inspirational leader. We are doing everything we can through pay, but also through our new master's qualification and the expansion of Teach First, to encourage more of the best graduates to come into the teaching profession and also then to rise to headship. We will do everything we can, including through pay and incentives, to make sure that people such as my hon. Friend's constituent continue to do a great job for the children of our country.

T5. [225807] **Andrew Rosindell** (Romford) (Con): Will the Secretary of State join with me in commending the work of children's centres and early years centres across the country, and will he reassure the parents, staff and children who attend those centres that they will not be subject to cuts and closures because of the current economic situation, and does he accept that the vital work they do is crucial for our communities and the future well-being of all our children?

Ed Balls: These are obviously difficult times, but it will be crucial to ensure that the investment in our children's future—in our schools and our children's centres—is properly protected. However, given that it is not the Labour party that is proposing to cut the Sure Start programme, the best way for us to ensure that those cuts do not happen is to do everything that we can to prevent the election of a Conservative Government, and that is what we will do.

T8. [225810] **Dr. Vincent Cable** (Twickenham) (LD): Is the Secretary of State aware of the concern of many parents of children with special needs that the new draft regulations covering the tribunal system are legalistic and lawyer-intensive, and will deter many people? Will he meet a delegation of concerned groups to discuss how the regulations could be improved?

Ed Balls: I am very happy to meet a delegation. I reassure the hon. Gentleman that the Ministry of Justice and myself have ensured that the regulations will not have those unintended consequences. Also, the Lamb review is considering how we can support parents of children with a special educational need more effectively in future. As well as a meeting with myself, I will organise for the hon. Gentleman and his constituents a meeting with Brian Lamb to discuss the work of his inquiry.

Financial Markets

3.31 pm

The Chancellor of the Exchequer (Mr. Alistair Darling): With permission, Mr. Speaker, I would like to make a statement on this morning's announcement about the implementation of the proposals that I announced to the House last week. Again, I hope that the House will understand that it was necessary for me to issue a market notice this morning ahead of the opening of the markets.

In my statement to the House last Wednesday, I outlined the principles of the Government's proposals to restore confidence in the banking system and put banks on a stronger footing, which are essential steps in helping the people and businesses of the country and supporting the economy as a whole. Since then, there have been intensive discussions with UK banks and institutions, and I can today tell the House how the principles set out last Wednesday are now being applied.

I shall first remind the House of the three key elements of the measures that I outlined last week: first, to inject sufficient liquidity into the financial system now; secondly, to make available at least £50 billion of capital, should it be required, to recapitalise the UK banking system, and thirdly, to provide a guarantee on eligible new debt to support medium-term lending between banks. Those measures are aimed at unblocking the inter-bank lending system and strengthening UK institutions, so that banks can start lending to people again. That is necessary both to stabilise the banking system and to support the wider economy.

No country alone can solve this global problem. At the weekend, at both the G7 Finance Ministers meeting and the International Monetary Fund, it was clear that the three elements of last week's proposals will be essential parts of a global recovery plan. Yesterday, my right hon. Friend the Prime Minister had discussions with European Union leaders, and they too agreed that this was the right way to stabilise and rebuild the banking system. Today—indeed, in the last hour or so—many European Union Governments have announced how they plan to support their financial systems. It is increasingly clear that the measures that I am announcing today form the basis of an international consensus on the right response to events.

I shall set out to the House the detail of today's announcement, which covers both liquidity and capital. I turn first to the funding of the banking system, or liquidity. The Bank of England will continue to supply sufficient short-term funds, which from today will include unlimited dollar funds available to banks to be swapped for sterling funds, and continued loan operations through the special liquidity scheme.

Additionally, I have announced today the details of the Government guarantee scheme for new lending between banks, an essential part of banks' resuming lending to people and businesses. The guarantee under the scheme will be provided by Her Majesty's Treasury directly. It will be temporary, covering new lending issued during a six-month period, but that period is renewable. It will be priced on commercial terms, which can be varied at the Treasury's discretion but will initially be set at a premium of 50 basis points above the recent average cost of default insurance for each of the participating banks. In other words, it is risk based.

The guarantee scheme will be available only to those banks and institutions that participate in the Government's recapitalisation scheme, as I made clear last week. The banks taking part in the scheme are given the option of raising capital in the open market, in the usual way, or through the Government's bank reconstruction scheme. When raising capital through the reconstruction fund, the participating banks receive an investment from the Government in return for shares.

Let me outline, in turn, the position of each of the eight major UK banks and building societies that agreed to the recapitalisation proposals last week. Santander has agreed to transfer £1 billion of capital to its UK operations. Barclays will raise more than £10 billion by next spring through a combination of preference and ordinary shares raised from private sources and other measures. HSBC announced last Friday that it will raise £750 million of new capital for its UK operation in the open market. Standard Chartered has announced that it has already met its agreed capital requirements, and Nationwide building society has announced that it will increase its capital base by £500 million.

Let me now outline how HBOS, Lloyds TSB and RBS will be recapitalised through the bank reconstruction fund. Subject to take-up by existing shareholders, the Government will take significant shareholdings in these banks—in one case, a majority stake—and in line with normal commercial practices, the Government, on behalf of taxpayers, will have appropriate representation on their boards. These shareholdings will be managed on a fully commercial basis by an arm's length body with a precisely defined remit to act in the interests of taxpayers. Government support in respect of these three banks is tied to conditions covering executive pay and dividend policies, and conditions have also been agreed with them on the level of lending to small businesses and home buyers. We are making it clear that there will need to be a strong focus at these recapitalised banks on making available lending for small businesses and home buyers. These conditions are set out in the individual agreements with the banks, copies of which will be placed in the Library.

In the case of Lloyds TSB and HBOS, the Government will purchase both ordinary and preference shares once the merger is complete. HBOS will receive up to an £8.5 billion investment in newly issued ordinary shares on completion of the merger. The Government will also invest up to £4.5 billion in newly issued ordinary shares of Lloyds TSB at completion. At the same time, we will invest up to an additional £4 billion in preference shares in the merged institution, with £3 billion of which being invested in HBOS and £1 billion in Lloyds TSB. In return for this investment, which potentially represents around 44 per cent. of the proposed merged bank, the Government will appoint two independent board members. No cash bonuses will be paid to any board member this year. Directors in HBOS will be asked to relinquish their rights to bonuses, and directors in Lloyds TSB will receive restricted stock instead of cash for any 2008 bonus entitlements. The availability of lending to home owners and small businesses will be maintained at at least 2007 levels, and greater support

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will be given to people experiencing difficulties with their mortgage payments to help them stay in their homes.

For RBS, the Government will take up to £15 billion of ordinary shares and £5 billion of preference shares. This potentially represents a 63 per cent. interest in the bank, in return for which the Government will appoint three independent board members. Again, no bonus will be awarded to any board member this year, and any bonus paid next year will be in stock and linked to long-term growth in the bank. Mortgage and small and medium-sized business lending availability will be maintained at 2007 levels for the benefit of people up and down the country. These steps will help to put RBS on a stronger footing and allow it to build on its core retail banking operation.

These announcements represent a total recapitalisation of just under £50 billion for the eight major banks, in line with my announcement last Wednesday, and, as I said then, more capital is available to smaller institutions should they need it. The Government do not want to run Britain's banks—we want to rebuild them. The long-term future of UK banks lies in the private sector, and we will aim to sell the public share in the participating banks as soon as is feasibly possible, but our objective today is to stabilise and rebuild, and we will maintain our stake for as long as it takes to do that.

I want to say a few words about the Icelandic banks. I met the Icelandic Finance Minister in Washington at the weekend, and I made it very clear that it is imperative that we work together to resolve the position of creditors in this country. Our authorities have set up an arrangement, agreed in principle, for an accelerated pay-out to depositors, and we are also working with the Icelandic authorities to facilitate claims by UK charities and local authorities on their deposits held at these Icelandic banks. In addition, the Bank of England is today providing a short-term secured loan of up to £100 million to Landsbanki, to help maximise returns to UK creditors.

All the operations of the bank reconstruction fund will give the Government a capital stake—an investment—so that money we borrow is exchanged for valuable assets, and because some of these shares are purchased on preferential terms the Government are better protected and get a better return. The Government guarantee to support new lending between banks will be charged on full commercial terms, ensuring that the taxpayer is appropriately rewarded. The injections of liquidity through the special liquidity scheme and other operations simply allow banks to swap securities with the Bank of England, so that the risk remains with the banks and not the taxpayer—in other words, we get the money back. So, any additional borrowing and debt incurred by the Government as a result of these proposals will be in return for assets, charged at commercial rates or in the form of a temporary loan to the banks. Therefore, as with the temporary nationalisation of Northern Rock, the most appropriate measures of Government borrowing and debt to judge the position of the public finances will be those that exclude the Government's stake in the banking sector.

The principles that I announced last week are now being adopted across the major world economies, and it is essential that Governments work together, decisively and quickly, to stabilise the system today and to take action to prevent these problems from happening again in future. That is why we must work together to improve international supervision. Tomorrow, the House will debate the Second Reading of the Banking Bill, which is a further step towards making our system more robust.

Today's announcement is necessary, and it is a significant step towards restoring confidence in the banking system and making it resilient in future. These proposals fully respect the rights of existing shareholders, and, despite current market conditions, the UK banking sector can have confidence in its future. These are very turbulent times in financial markets, but I believe that these measures are essential to stabilise the financial system and help the UK economy. We are committed to doing whatever it takes to stabilise the banking system, protect savers and taxpayers and support the wider economy, and I commend this statement to the House.

Mr. George Osborne (Tatton) (Con): Once again, I thank the Chancellor for his statement. Given that the banking system has been on the verge of collapse, rescuing the banks and stepping in is the only option available to the country. We said that recapitalisation might be necessary, and we continue to offer to work constructively with the Government on solving this financial crisis and on the Banking Bill tomorrow.

But, of course, the scale of what the taxpayer is on the hook for is only just starting to dawn on the British people: this is the biggest bail out in the world so far, paid for by the biggest increase in debt by any peacetime Government and funded by the £11,000 of extra borrowing that will now be heaped on every family in the country. The British people are therefore in no mood to celebrate. They want to know how their taxpayer money will be protected, how quickly they can get it back and how on earth they ended up footing the bill for this painful end to the age of irresponsibility.

On the details of the deal, why, over the past week, does the Chancellor seem to have gone from favouring taking preference stock to deciding also to take huge ordinary share stakes in some banks? I know that last week he told us that he was "prepared to consider" underwriting share issues, but why has that now become the main option? What is his realistic assessment of how much of that shareholder offering will be taken up by existing shareholders and other private investors, rather than by the Government? Will he confirm that the preference shares he talks about do not come with warrants to give taxpayers more of the upside? Will he explain that?

The Chancellor also seems to have rethought his position on taking seats on the boards of the banks we now part-own. Last week, at the Dispatch Box, he said:

> "In relation to Government nominees sitting in boardrooms, I never thought that a particularly useful course of action to follow".—[*Official Report*, 8 October 2008; Vol. 480, c. 286.]

He has just told us that he is appointing five members to two different bank boards. Why does he now believe that that is a useful course of action? I happen to agree that it is, but I want to know why—*[Interruption.]*

Mr. Speaker: Order. Hon. Members must allow the shadow Chancellor to be heard.

Mr. Osborne: I want to know why the Chancellor did not agree with himself a week ago.

I welcome the statement that senior bank executives will not get cash bonuses. Last week, the Prime Minister dismissed that suggestion when it was made by the Leader of the Opposition, and he now appears to agree with it.

May I press the Chancellor on the bonuses paid in stock that he talked about? I suspect that that will be an important matter of debate in the coming year. Given that two thirds of the bonuses paid to the RBS chief executive last year were in shares, not in cash, will that arrangement still be possible under the terms that the Chancellor has set out?

As we said last week, the purpose of rescuing the banks is rescuing the economy. That means extending small business loans and getting families the remortgages they need, but it must not mean a return to irresponsible lending. The Chancellor did not say much in his statement about the lending conditions, but he said this morning that the banks have agreed to keep the availability of loans to homeowners and small businesses at 2007 levels. What exactly does he mean by "availability" in that context, given that the Royal Bank of Scotland issued a statement today saying that it was going to accelerate the de-leveraging? The Council of Mortgage Lenders has also said today that a return to 2007 levels would be neither "prudent or desirable".

Finally, has the Chancellor had time to reflect on how a decade of Government economic policies has led us into this massive bail-out? The Prime Minister said today that, in future,

"you have got to lay aside more for the possibility that there will be contraction."

Is that another way of saying that he should have fixed the roof when the sun was shining? Is the Chancellor being straight with people about the potential risks to the public purse? He says that in effect he wants to suspend the borrowing rules and fiddle the figures so that these huge additional debts are not counted on the balance sheet. What sort of example does that set the rest of the economy? Will the Office for National Statistics agree with his decision not to count that as national debt?

The chairman of the Financial Services Authority, Adair Turner, gave us his candid views on the lunchtime news today, saying that

"many lessons have to be learned over what has gone on in the last ten years...we probably allowed a boom to go on for too long."

Britain knows exactly who is to blame for that. We will support today's actions because, faced with the collapse of the banking system, the Government had no other option. However, this is no moment of triumph for the Government, because the British people have now been landed with the bill for the boom that turned to bust.

Mr. Darling: I notice that the shadow Chancellor is finding it increasingly difficult to maintain his stance of bipartisanship. In the course of the last year, I have noticed that he finds it impossible to avoid quickly getting into a situation where he seems more concerned with scoring points than with addressing what I think is quite a serious matter.

The hon. Gentleman asked a number of questions, which I would like to answer. His first point was about the cost, and he appeared to be critical of the fact that we are making available substantial funds, although he accepts that that is necessary. A person either supports such a scheme or does not, and should do it properly, not in half measures. Indeed, if people have learned anything over the past year, it is that action should be taken decisively and quickly to ensure that the banks are properly capitalised.

The hon. Gentleman also asked about the accounting. I said that accounting is a matter for the ONS—Northern Rock is classified with the public sector and the ONS will make its judgment in relation to RBS, HBOS and Lloyds TSB. It would be ludicrous, in reaching a judgment about the Government's fiscal position, to say that having to take such action with banks would distort decisions made about the economy in general. I would have thought that most people accept that as a sensible thing.

The hon. Gentleman asked a couple of technical questions about preference and ordinary shares, and I would have thought that he is aware of this. I said last week that we wanted to take preference shares to secure the Government's interest and I also said that we would be prepared to take ordinary shares. Given the scale of what is necessary—particularly in relation to RBS, HBOS and Lloyds TSB—the balance has to be struck in a way that is workable. The advantage of preference shares is that we are repaid first, but if too many preference shares were put into an organisation it would impede its ability to get through this period and recover, so, acting on proper advice, we have sought the right balance between preference shares and ordinary shares.

In relation to ordinary shares, we will get a dividend when dividends are payable, and when we sell our shares the money will come back to the taxpayer. We have put in place a perfectly sensible way of restructuring the banks because our objective is to help them get through this difficult period and in due course to sell on the shares.

In relation to bonuses, yes, some board members and, indeed, other members of staff are paid in shares. I would have thought that the shadow Chancellor welcomes that because anything that ties the interests of senior management to the long-term health of a company must be a good thing. Indeed, we are trying to stop irresponsible remuneration, whereby people are encouraged to do something that damages the banks and, therefore, the rest of the financial system. What we are suggesting means that in future the rewards will be tied to the long-term interests of the bank.

The hon. Gentleman asked about lending. I said today, and I said in the statement, that we want the availability of lending to be the same as it was in 2007, but of course that applies only to two particular institutions—RBS and Lloyds TSB-HBOS—because they are the only two using the bank reconstruction fund. That is where the conditionality attaches. We said that availability levels need to be the same, but it will of course be up to those banks to judge each application for a loan on its merits. We do not want to return to the irresponsible problems and difficulties we have had in the past.

The Council of Mortgage Lenders put out a statement earlier today in which it had clearly misunderstood the position, but I understand that it is now correcting what it said in the light of what is actually the case rather than what it imagined was the case. The hon. Gentleman

[Mr. Darling]

might like to follow that course of action on occasion, as well. However, I, too, am anxious to maintain the bipartisan approach that has worked with at least some success over the past few weeks. I think that the House and the wider country will recognise that, although it is difficult at times for people fully to understand what is going on, they understand that we had to take action, and that we had to do so decisively and in sufficient measure to make it work. There is more turbulence along the way, I am sure, but I believe that the measure is significant; it is a necessary measure and it will be seen not just in this country but across the world as entirely the right thing to do.

Dr. Vincent Cable (Twickenham) (LD): Last week, from the Liberal Democrat Benches, I indicated our support for the broad outlines of the Government's approach. I particularly welcome what the Chancellor said about small business lending, stemming repossessions and bonuses.

I share some of the concerns of the Conservative spokesman, which the Chancellor has partly answered, about the commitment to 2007 lending, even if it applies only to those three banks. It was the case that 2007 was the very peak of irresponsible lending, when mortgage lending was fuelling the unsustainable boom in house prices, and it clearly cannot continue.

I welcome the Chancellor's modesty about the Government's ability to manage banks, but bankers were not very good at managing banks either, so now that Stalin in No. 10 has rediscovered his confidence I wonder whether this might be the time for a Beria in No. 11 to launch a purge of irresponsible bankers. The Chancellor might want to draft in some of the experienced, mutually governed building societies, which have not been seduced by the bright lights and profits of the City, to run some of those banking institutions.

I welcome the return of sanity and co-operation among the developed countries after the chaos of last week and the beggar-my-neighbour policies they were starting to pursue. Now that the Government have demonstrated their influence with eurozone Finance Ministers, how will that influence be sustained, as the Chancellor is not a regular member of that group?

In relation to the Group of Seven, why are the Chinese not involved, given that they are absolutely central to the issue, both as lenders of last resort to the United States and as a main source of growth? Were they not invited, or did they decline the invitation?

Finally, I hope and suspect that we are in the darkest hour before the dawn, as regards this crisis, but I hope that the Government will not be carried along, as they have been before, by hubris and excessive self-confidence, and that they will recognise that we are entering a period of recession. There must be as much sensitivity to the needs of the large numbers of people who will be hurt by it as has been shown to the banks in recent days.

Mr. Darling: I am grateful to the hon. Gentleman. He is right that we need to proceed with caution. I said that I thought that the step that we are taking is essential, because stabilising the banking system is a precondition of helping the very people whom he talks about. After all, we are helping people and businesses in this country and, through them, the whole economy. That is why we are taking this step.

Last week, Members on both sides of the House said that one of the things that they wanted was the freeing up of lending to businesses and mortgage payers. Indeed, the shadow Chancellor mentioned that issue specifically. That is precisely what we have sought to achieve with the institutions with which we have these agreements. We are not saying that they should simply lend, willy-nilly, to anyone who turns up; that would be ludicrous. They must assess how much someone can afford to borrow, and whether there is adequate security. Banks have got to ensure that their lending is prudent and properly thought out, and the availability of funds will help. That is what Members on both sides of the House want, but nobody wants a return to the more irresponsible practices of the past.

The hon. Gentleman asked about board membership. It is important that we nominate people who have the relevant experience and can bring their influence to bear. I have made this point before: the boards are the first line of defence, not just in preventing banks from getting into difficulties, but in the wider system.

I agree with the hon. Gentleman on co-operation among countries. We had extensive discussions at the G7 meeting in Washington over the weekend, and at the IMF. He asked about China; it is, of course, a member of the G20, which we will chair in the coming year. The governor of the Chinese central bank was present at the IMF discussions and, I think, at the G20 meeting.

The hon. Gentleman made a point about the eurozone. Of course, we are not members of that group, but my right hon. Friend the Prime Minister addressed it yesterday, because it was recognised that Britain is an extremely important part of not just the European financial system, but the global financial system. It is quite right that our views are taken into account, and equally right that if we are to convince people that we need to act together, we need to be involved at every level. That is another advantage to our being fully involved in the European Union; I think that that is very important.

John McFall (West Dunbartonshire) (Lab/Co-op): I welcome the Chancellor's statement. The Treasury Committee has just returned from speaking to the Japanese authorities about what to do, and what not to do, in a crisis, in the light of their problems in the 1990s. Two clear messages emerged: first, clear and decisive action about investments is necessary, on which the Government are therefore to be congratulated today; and, secondly, early communication is essential if the public are to accept this investment in the banks, for their sake and that of the country. Will the Chancellor and his colleagues who represent the tripartite authorities accept my invitation to appear before the Committee and give more detail about the initiative, so that we can communicate it to the public, and it can therefore be accepted?

Lastly, on recapitalisation, it is undoubtedly essential that the relationship between banks and the public as customers changes, and that banks face up to their new responsibilities. Does the Chancellor agree with that?

Mr. Darling: I do, and all of us know full well that people in this country, some of whom are finding times hard and have to count the pennies, are asking what is going on in the banking system. The problem is that if

we do not have a banking system that works effectively, every one of us will suffer. A test that we have to apply to any measure is to ask what would happen if we did not take a particular course of action. If we had not taken the course of action that I set out last week, and that we have implemented today, it would have exacerbated an already difficult position, so my right hon. Friend is quite right about communications. As for his invitation to attend the Treasury Committee, I am always happy to do that, and no doubt we can discuss in the next few days when it might be best to do so.

Mr. John Redwood (Wokingham) (Con): Given that the three banks in which the Government are considering taking a public stake have combined assets and risks on their balance sheets of £3 trillion—twice our national income, and five times our tax revenue—does the Chancellor agree that it is very much in the taxpayer's interest that all men and women of good will should work to get the maximum amount of share capital and other sources of money from the private sector into those banks, to limit taxpayer risk?

Mr. Darling: I fully agree with the right hon. Gentleman. He is absolutely right: we do need to work together, and that is something that I want to encourage.

Ruth Kelly (Bolton, West) (Lab): May take this opportunity—the first time that I have spoken from the Back Benches in many years—to congratulate my right hon. Friend the Chancellor on the calm, assured way in which he not only delivered his statement today but, together with my right hon. Friend the Prime Minister, has worked on the financial crisis over the past few weeks? I very much welcome his commitment in the statement to make sure that his intention was to stabilise the banking system and, in the long run, return to a well functioning, properly capitalised private banking system. Will he assure me and the House not only that he has been working on a strategy to inject capital into the banking system, but that he will turn his mind to a strategy to withdraw taxpayers' support over the longer term from the banking system?

Mr. Darling: I am grateful to my right hon. Friend for her support, and I am sure that there are many of us on this side of the House who look forward to a time when she chooses to return to the Front Bench. In the meantime, I agree that it is important that we focus on the immediate step of ensuring that the banking system is stabilised. However, she is quite right that, in the long term, the banks are better off in the private sector, and that is something that we will need to manage. However, at the moment the key is to make sure that the banks are properly capitalised, get through this period and rebuild their strength, because that is the best way of ensuring stability.

Sir George Young (North-West Hampshire) (Con): Lloyds bank and HBOS have to make some difficult commercial decisions if the proposed merger goes through. Can we have an assurance that those will be taken on the basis of what is best for the bank and its customers, without any Government intervention?

Mr. Darling: The decision in relation to the merger was taken jointly by the boards of HBOS and Lloyds TSB. That remains the position. I have set out our view and the steps that we are taking in relation to the competition issue, but the decision to merge is a matter for those two boards and, ultimately, for their shareholders.

John Reid (Airdrie and Shotts) (Lab): The Chancellor and the Government have acted with clarity and decisiveness of action in the midst of this crisis, which is a sign of reassuring stability to the whole nation. As this is a wide, deep and ongoing problem, may I ask him whether he will continue to build alliances of that nature at home and abroad? Will he do so abroad with Governments of all different persuasions, and domestically with everyone inside and outside the Chamber who wants a solution to this problem? While I regret very much the fact that the Opposition spokesman appears to have lapsed from a consensual approach into a partisan one today, may I express the hope that that is temporary? Notwithstanding that, will the Chancellor continue to try to work with everyone on both sides of the House?

Mr. Darling: I agree with my right hon. Friend. It is important, on such an issue, and at a time like this, that we work together, both inside the Chamber and with everyone who has an interest in making sure that we get through an unprecedented period of instability. I also agree with him that it is important that the Government continue to work with people outside the House. Importantly, as many Members have said, we should remember first and foremost why we are doing so—to help the people and the businesses of this country.

Mr. Michael Fallon (Sevenoaks) (Con): Will the Chancellor confirm that Swedish taxpayers still own part of their bank 17 years after it was nationalised, so these things sometimes take a little longer than originally forecast? Will he also explain what degree of due diligence there is on behalf of the taxpayer in return for this very considerable investment?

Mr. Darling: The hon. Gentleman is correct in saying that it will inevitably take time to work through this. What happened in Sweden, of course, is largely in relation to that particular country; this problem, however, has affected the whole world. Our objective needs to be clearly stated in relation to our long-term intentions. On due diligence, I should say that over the last few days we and our advisers have been in intensive discussions with the two banks concerned. As I think I said this morning, the FSA has taken what it regards as a cautious view, having regard to the difficulties faced in the economy now, as to what the liabilities of the banks might be. That is one of the reasons why the sums in relation to those two banks are higher than might have been anticipated.

Kelvin Hopkins (Luton, North) (Lab): There is still a vast amount of toxic debt around. Will the banks not have to declare that on the balance sheet before total trust can be restored?

Mr. Darling: Banks here and all over the world are engaged in that process at the moment. As I have said on many occasions, one of the things that will help get us through this is when people have absolute confidence as to where everybody stands.

Mrs. Jacqui Lait (Beckenham) (Con): The Chancellor indicated that some of the package will be paid for by borrowing. What is his assessment of the appetite of the markets for gilts and the level of interest that the taxpayer will have to offer to shift the gilts?

Mr. Darling: I did indeed indicate that some of what I am announcing today will be met by borrowing. The Government raise that money through their normal operations, and continue to be able to do so.

Mr. Jim Cunningham (Coventry, South) (Lab): When my right hon. Friend was having discussions with the bankers, was there any mention of the protection of pension funds? I hope that they were part of the discussions.

Mr. Darling: If my hon. Friend is referring to the staff employed by the banks, I should say that the banks themselves are responsible for that issue. The capitalisation that the Government are able to make available will enable the banks to continue. Obviously, they will have to make decisions themselves on how they restructure their business and proceed in future.

Stewart Hosie (Dundee, East) (SNP): I thank the Chancellor for his statement and advance notice of it. I repeat what we said last week: the whole House should have the right to hope and expect that the package will deliver confidence and stability and unfreeze the banking system. Many others have made the point that the Chancellor expects lending to small and medium-sized enterprises and mortgage lending to be at 2007 levels. Does he mean that on a cash basis or on a loan and mortgage application basis? More importantly, because we are now in a recession, demand may be reduced. Should there be a failure to meet the 2007 targets, can the Chancellor make it clear to the House and the financial markets that in no way would that be a measure of failure for the recovery plan?

Mr. Darling: As I said earlier, the agreement with those banks is that the availability of support for mortgage holders and small and medium-sized enterprises will remain at 2007 levels. I am grateful to the hon. Gentleman for his support for the package and hope that he will acknowledge that it is the very strength of the United Kingdom Government that has enabled us to take this action.

Mr. Dennis Skinner (Bolsover) (Lab): Does the Chancellor agree that one of the most remarkable things in this time of adversity is that in the past few weeks it has become pretty clear that Governments around the world—left, right and sky-blue-pink—have come round to supporting this measure? Today, the Nobel prize winner Krugman said that the Brown Government have pointed the way for the rest of the world. Is that not in sharp contrast to the people opposite, who have come armed only with a "cunning plan"? Baldrick could have done better.

Mr. Darling: My hon. Friend makes a very good point.

Sir Peter Tapsell (Louth and Horncastle) (Con): May I remind the Chancellor, since to him it might seem a long time ago, that last Monday I urged him to cut interest rates as a supplementary measure to dealing with the problem of the under-capitalisation of our banks? He clearly agreed with me, because last Wednesday it happened. I put it to him that although all the measures that he has taken so far will obviously lead to serious inflation in the long run, in the short run the problem that we face is likely to be deflation. Will he therefore not just rest on his laurels with regard to interest rates? In 1931—when, by an unhappy coincidence, there was also a Labour Chancellor in charge, Philip Snowden—the decision was taken to reduce interest rates to 2 per cent., where they remained for nearly a decade and contributed in a major way to the recovery of our economy after that. Will the Chancellor go for really severe cuts in interest rates straight away?

Mr. Darling: I do remember what the hon. Gentleman said a month or so ago. I am sure that the decision taken by the Monetary Policy Committee of the Bank of England was welcomed here, as was the co-ordinated decision right across the world, but that decision was of course taken by the independent Bank of England, and rightly so.

Mr. David Crausby (Bolton, North-East) (Lab): I was a Labour councillor in 1992, when the Bank of Credit and Commerce International went bust and the Government of the day left us to flounder. May I urge my right hon. Friend to ensure that this Labour Government do a better job in protecting Tory councils than that Tory Government did in protecting Labour councils?

Mr. Darling: I think that my hon. Friend is referring to the problems that have arisen as a result of the collapse of the Icelandic banks. As I said in my statement, and I think I said last week, we are having discussions with the Icelandic Government. I met the Icelandic Finance Minister at the weekend to try to resolve this matter. Today we have taken action through one particular branch of the bank to try to help businesses, and we will continue to do what we can. Last week representatives of the local authorities met my hon. Friend the Minister for Local Government to discuss these things.

Mr. Peter Lilley (Hitchin and Harpenden) (Con): I wholeheartedly agree with the Chancellor's remark in response to an earlier question—that the principal lesson of the past year is that delay and indecision undermine the impact of measures when they are eventually introduced. Is not that even more true of a lack of detail? Will he issue to this House a detailed paper on all the decisions that have been taken and let us know, for example, what interest rate—what dividend rate as a percentage—he is charging on the preference shares for these banks?

Mr. Darling: As I said in my statement, I will arrange for copies of the agreements to be put in the Libraries of both Houses in the usual way.

Mr. James Plaskitt (Warwick and Leamington) (Lab): I welcome my right hon. Friend's statement and the decisive action that the Government have taken. Does he agree that some longer-term issues are coming out of this that are international in their dimension, and that we will need to see banks with strong capitalisation, less leveraging and increased transparency? Does he think

that the right international institutions are in place to help us to achieve that, or must we do some additional work on that architecture?

Mr. Darling: Yes, we must. My right hon. Friend the Prime Minister has argued for the best part of 10 years that we need to ensure that the international institutions—the International Monetary Fund, for example—are reorganised to reflect properly the demands of the early part of the 21st century. They were brought into being at the end of the second world war when world leaders then realised that the IMF would be necessary. However, its role, while still very necessary, needs to adapt, and I think that it can play a greater role in relation to early warnings and greater supervision of problems that arise in the financial system. That is not the only thing that we need to do. We need to ensure that our regulatory bodies co-operate through the colleges of regulators that are now being set up, and other reforms will be necessary as well. We will face considerable difficulties if we do not recognise that in a global economy, a problem that in the past might have been confined to one state or one small part of the world can now spread to the entire world in a matter of weeks. That is why we need that international co-operation, which is so important.

Julia Goldsworthy (Falmouth and Camborne) (LD): The Chancellor spoke of the in-principle arrangement that had been agreed in relation to depositors and the accelerated payout. He gave no such detail for local authority deposits. Can he please give us a bit more detail about how close he is to an agreement with the Icelandic authorities? What are the terms and time scale of any agreement that he is pursuing?

Mr. Darling: Discussions are continuing with the Icelandic authorities, but part of the situation will depend on what Iceland proposes to do, given its current problems. It needs to resolve the overall problems before it can deal with the particular ones, but that process is under way, and we have people engaged in discussions in Iceland at the moment.

Dr. Tony Wright (Cannock Chase) (Lab): Everyone recognises that the Government are leading the world in their recovery plan to get us out of this mess. Could I ask the Chancellor to lead the world by putting in place an inquiry into the sort of reckless global financial system that has got us into this mess in the first place?

Mr. Darling: I have said for some time that we need to learn the lessons of what happened. Whether or not one can accomplish that in a single inquiry, I do not know, given that—of necessity—we would have to look at what was happening in just about every country in the world. There are perfectly obvious lessons that we can act on now. One of them relates to the beefing up of the supervisory regime, and the other, which is very clear, is that Governments can achieve an awful lot more when they act together quickly and decisively. That is what I hope we are in the process of achieving at the moment.

Mr. Charles Walker (Broxbourne) (Con): Can we cut through the rhetoric and some of the political consensus? Can I tell the Chancellor how furious my constituents are at the moment? They have been led up the garden path by bankers, the regulators and this Government, and sooner or later, the right hon. Gentleman and the Prime Minister are going to have to say sorry. A lot of good, decent, ordinary people are hurting as a result of the actions and failure of this Government.

Mr. Darling: I agree with the hon. Gentleman to the extent that every one of us represents people who see what is going on and find it hard to understand how on earth some of the banks have got themselves into their current position. But what they expect the Government to do, and what they expect us as Members of this House to do, is to act together to sort things out, rather than engage in the usual Punch and Judy show, which does no credit to anyone in this House.

Paul Farrelly (Newcastle-under-Lyme) (Lab): I congratulate my right hon. Friend on the action he has taken today. May I remind him of the old adage that when times are good, investment bankers take too much out, and when times are bad, they put absolutely nothing back in? One example is that of Mr. Bob Diamond, who heads Barclays investment banking division. He took £6.5 million as a performance bonus in cash last year, and more than £11 million in shares. I used to work for Barclays bank; it is not taking taxpayers' support today but may do so in future. It has also bought Lehman Brothers and a ring-fenced bonus pool on Wall street. Could I therefore ask the Chancellor to make sure that where bankers have taken out huge bonuses, they are encouraged to put them back in as fundraising, as an example to ordinary shareholders and the taxpayer? On the example of Barclays, would he agree that it would be obscene to pay out huge bonuses on Wall street when it has cancelled a £2 billion dividend that would have gone into the pension funds of many ordinary people?

Mr. Darling: As my hon. Friend says, Barclays has not taken funds from the bank reconstruction fund, so it would not be affected by the agreements to which I referred. However, Barclays will no doubt have heard what he said.

Mr. John Maples (Stratford-on-Avon) (Con): The next Conservative Government are looking forward to selling back these shareholdings at a considerable profit. One of the things that might endanger that is a return to 2007 levels of mortgage lending. The Chancellor said that that applied only to RBS, HBOS and Lloyds, but those first two were the two worst offenders. I do not know whether the Chancellor is still a monetarist, but that year was the peak year of broad money growth at around 13 per cent., and if we return to that rate, these problems will return. I hope that he does not quite mean what he said in the press release.

Mr. Darling: As I have said on a number of occasions this afternoon, we want to ensure that the availability is there. But of course, we have to ensure that banks do not return to lending money when the person borrowing it has no prospect of meeting the payments or where the security will never be able to meet the value of the loan. Responsible lending is absolutely key to the institutions in question if they are to get through this period, and everyone knows that.

Mr. Gordon Prentice (Pendle) (Lab): Will our three board members at the Royal Bank of Scotland have the power of veto? Will we know when their views diverge from those of other members of the board?

Mr. Darling: Any director of any bank has exactly the same powers and responsibilities.

Malcolm Bruce (Gordon) (LD): Will the Chancellor acknowledge that the demutualisation of many building societies and insurance companies in recent years has reduced the diversity of our financial institutions, causing many of them to overreach themselves? Given that the Scottish banking system is now majority-owned by the Government, will the Chancellor use his influence to keep HBOS and Lloyds TSB as separate institutions in order to maintain diversity, and to find new ways of building financial institutions that will not make the mistakes of the past?

Mr. Darling: No; I do not entirely agree with the right hon. Gentleman. I do think that it is unfortunate, but I think I am right in saying that every building society that demutualised now either belongs to or has merged with someone else, or is not around any more. On the other hand, it has to be said that, if we look back to even a short time ago, the number of produets available and the competition in the system were far greater than in the past. It is important that we have a proper, competitive mortgage market, but I do not agree with what the right hon. Gentleman says about Lloyds TSB and HBOS. That is a decision that the boards of those two companies have taken, and that is the right way to proceed. They need to take commercial decisions. Of course we will have directors on the boards, because of our very substantial financial stake, but people have tried in the past to ensure that the structure of the market and the number of people in it do not change, and it simply does not work.

Mr. Michael Meacher (Oldham, West and Royton) (Lab): Surely the purpose of taking public control of a bank should not merely be to stabilise it before returning it to the private sector? Should it not also be to tackle the fundamental causes of the present turmoil by changing the banking system's approach to speculative trading and to the use of hedge funds, derivatives, offshore accounting and securitisation, as well as to the obscure reporting of corporate risk and sometimes dodgy auditing? Will my right hon. Friend confirm that the £50 billion of taxpayers' money will not be used purely to fund the bankers, and that it will be used to change the malign banking practices that have brought us to this pass?

Mr. Darling: The problems to which my right hon. Friend refers need to be addressed by the regulatory system, but it is regulatory reform that will do that, rather than the role of the individual directors of two banks. I agree with him, however, that many issues need to be addressed.

Bob Spink (Castle Point) (UKIP): I welcome the Chancellor's statement on the accelerated payouts to depositors in Icelandic banks. Will he try to put some kind of time scale on when British citizens might be able to get access to their individual savings in those banks?

Mr. Darling: There are two issues here. In relation to the financial services compensation scheme: yes, we have said that we will stand in the place of the Icelandic authorities for the retail depositors who will be covered by the scheme, and I would like to ensure that those payouts take place as quickly as possible. In relation to a broader resolution with the Icelandic Government: yes, I would like that to be resolved quickly too, but that will also involve the Icelandic Government addressing some of the fundamental problems that Iceland now faces.

Clive Efford (Eltham) (Lab): I congratulate my right hon. Friend on the prompt action that he took following the collapse of Northern Rock, in passing the Banking (Special Provisions) Act 2008. That gave him the powers that have enabled him to introduce this rescue package for the banks. I wonder what has given him the greatest sense of relief: the fact that the House passed that legislation in the face of opposition from the Conservatives, or the respect and support that he has received from the Leader of the Opposition and his shadow Chancellor.

Mr. Darling: My hon. Friend is right. Without the Banking (Special Provisions) Act, which the House passed in February, we would have been in an extremely difficult position, because we would not have been able to bring about many of the solutions that we have put in place over the past few weeks. That is why I very much welcome cross-party co-operation. There are lessons to be drawn from February. Of course there is a place for proper scrutiny and constructive criticism, but I hope that, in relation to the Banking Bill, we will get that cross-party support, not least because we need the legislation to be on the statute book by the time the Banking (Special Provisions) Act lapses in mid-February next year. I very much welcome the offer of support that has been given—I am quite convinced that that was done in good faith—by those who speak for the Opposition parties.

Sir Peter Viggers (Gosport) (Con): Does the Chancellor agree that the nearest parallel to the present situation is that of Lloyd's of London in the 1990s, when a cycle of inter-trading by dealers resulted in all the assets being regarded as suspect and tainted? Is he aware that Lloyd's of London resolved the problem by identifying and isolating the so-called tainted assets so that the purged body could move on, and that it is in such a purged body that new investment would best be made?

Mr. Darling: I do remember the problems at Lloyd's in the early 1990s, and I know that they were the subject of much debate in the House at the time. I also know what solution was pursued. The problems then applied to Lloyd's of London, but today's problems are much more widespread, so the scale of the problem is much greater. The measures on capitalisation that we are proposing address the problem, albeit in a different way.

Laura Moffatt (Crawley) (Lab): Has my right hon. Friend made an assessment not just of the innovative deal that is allowing the country to move forward with its banking, but also of the Government's adoption of a leadership role in the world? What benefits will that give to hard-pressed mortgage payers and our business community, which is struggling to act? Will he explain how our leadership role will help to stabilise our communities?

Mr. Darling: The answer is, as everyone knows, that this problem is affecting every part of the world. The problem started in the American sub-prime market last year; it spread within weeks to this country and it has subsequently affected every other country. Even countries that believed that they did not have a problem can now see that they are being affected by it. A global problem needs a global solution, but we will play our part here in the UK. We have been anxious to take action, together with other countries. There has been no reluctance on the part of others. At the weekend, I was struck by the fact that many Ministers recognised that they, too, needed to take action. In some ways, the challenge for everyone is to make sure that we stay ahead of all this. Some things that might have been unthinkable even a month ago, and certainly six months ago, need to be thought about now because they may actually provide a way through.

Mr. James Paice (South-East Cambridgeshire) (Con): The Chancellor is obviously very unhappy about how banks have allowed domestic debt to rise over the last decade or so to exceed £1 trillion. Is he equally unhappy about the fact that his predecessor did nothing about it?

Mr. Darling: I am always intrigued at the line that the Conservatives take on this. If they want to restrict personal debt, there are two ways of doing so: one is to ensure that loans are priced at such a level that people cannot get them, and the other is rationing. I know that the Conservative party is much more interventionist now than it was just a few weeks ago, but that strikes me as odd. There are two other points to bear in mind. Yes, people did borrow more, not only because rates were lower but because their assets had increased in value. The central point is surely this: do we not need to ensure that whatever lending takes place is sensible, prudent and sustainable from both the borrowers' and the lenders' point of view?

Sir Nicholas Winterton (Macclesfield) (Con): Does the Chancellor accept that because of the banking crisis, many of my constituents are deeply anxious about their financial future? They say to me, "Sir Nicholas, I hope that those who are responsible within the banking system will not benefit from the rescue package." They also tell me that they hope that the world, let alone this Chamber, the House of Commons, will be united in what needs to be done until the financial crisis is ended and stability and confidence are restored. Does the Chancellor agree?

Mr. Darling: I am glad that the hon. Gentleman commands such respect and affection in his constituency—and I agree with what he says.

Mr. Elliot Morley (Scunthorpe) (Lab): I very much agree with bodies such as the Engineering Employers Federation that the Government have taken bold and decisive action in dealing not only with the financial system, but with industry and manufacturing industry in particular. I ask the Chancellor to keep a close eye on the need of some manufacturing sectors, particularly capital-intensive sectors such as steel, for funds to be available for essential investment.

I listened carefully to my right hon. Friend's comments on the Icelandic situation—I very much support the steps that he is taking—but my own council, North Lincolnshire, is one of those affected. He will understand that there is great concern about the £5.5 million, which it cannot access.

Mr. Darling: My right hon. Friend has raised that matter with me and quite rightly he is concerned about the position that his council faces. I refer him to what I have said a couple of times this afternoon: we need to resolve this matter, and I hope that we can make some progress. The discussions that I had with Iceland's Finance Minister were constructive. That is the best way to resolve the problem, so that we can ensure that people in the UK are not cut off from whatever Iceland's Government are doing within their own borders.

On the general points made by my right hon. Friend, I come back to a point that has been raised many times this afternoon. Yes, we want to try to get back to a situation in which businesses can borrow from banks and banks feel confident to lend to them. Two things are necessary: we have to get through the blocking up of lending, which is what today's measures are designed to help with—it will take time, but it is an essential step—and we must ensure that we support the economy at this time, which we fully intend to do.

Our economy has grown strongly for the past few years. Obviously, like the economies of other countries, our economy is slowing down, but we want to get through this period because that is the best way to support businesses, including the steel industry, in the longer term.

Susan Kramer (Richmond Park) (LD): Over Thursday and Friday, I talked with a number of small businesses in my constituency. Many businesses that historically have never had lines of credit need them now because their customers are paying late, but those businesses know that they will not be attractive to the banks as customers. Will the Chancellor please give the banks a kick up the backside to ensure that they help companies of that kind, which are in difficulty only because of a situation generated by the banks themselves?

Mr. Darling: I said last week that I hoped that banks would remember that, just as in the good times, when they go out trying to get as many customers as possible, they need to be good to their customers when times are more difficult.

Rob Marris (Wolverhampton, South-West) (Lab): Well, it is Baroness Margaret Thatcher's birthday today and Labour is nationalising banks—oh happy days! My understanding is that, this morning, the Royal Bank of Scotland was worth considerably less than £20 billion. Can my right hon. Friend explain why the Government are paying £20 billion for 63 per cent. of something that was worth a lot less than £20 billion?

Mr. Darling: First, the share price of banks and companies varies from day to day. We believe that this level of recapitalisation is necessary and that it is the right thing to do. I am determined to see it through.

Points of Order

Several hon. Members *rose—*

Mr. Speaker: Order. I call Mr. John Maples.

Mr. John Maples (Stratford-on-Avon) (Con): On a point of order, Mr. Speaker. Documents published this weekend under the Freedom of Information Act 2000 show that my hon. Friend the Member for Mid-Worcestershire (Peter Luff) and I were deliberately misled in the House in November 1997 by the then Prime Minister about the Ecclestone affair. The documents show that the Prime Minister had decided on 16 October of that year to seek a derogation for Formula 1 from the tobacco advertising ban. That was immediately after he had met Mr. Ecclestone. In answer to us, the former Prime Minister stated that no decision had been made on 16 October.

The House must assert its right to truth from Ministers. Can you, Mr. Speaker, tell me how we can amend our rules to achieve that? I urge you to give us a lead in this matter so that we can insist on full and truthful answers from Ministers and a sanction against those who mislead us.

Peter Luff (Mid-Worcestershire) (Con): Further to that point of order, Mr. Speaker. You will understand that my hon. Friend the Member for Stratford-on-Avon (Mr. Maples) and I would know what to do were the gentleman in question still a Member of the House. That is not the case, so it is all the more important that the record be corrected. Even if you cannot rule in detail today on how we can go about that, will you please set up a review of the rules to ensure that errors of this kind made by former Members of the House, probably deliberately, can be corrected? This is a matter of the utmost importance.

Mr. Speaker: I have been advised often that the content of a reply is not a matter for the Chair, but I am deeply concerned that two hon. Members have said that they were deliberately misled, albeit that the person concerned is out of the House. I suggest that, to pursue the matter, both hon. Members write to me and I will ask my officials to look into the content of the letter.

Promoting Democracy and Human Rights

[Relevant document: The Foreign and Commonwealth Office Departmental Report 2007-08, Cm 7398.]

4.34 pm

The Minister for Europe (Caroline Flint): I beg to move,

That this House has considered the matter of promoting democracy and human rights.

Foreign policy has traditionally been associated with the peace, security and prosperity of this country. It is about all those things, but the title of today's debate reminds us that it is also about people. Much of the work done by the Foreign and Commonwealth Office, and the Department for International Development and the Ministry of Defence, our partners in foreign policy, is about improving the lot of people, wherever they are in the world. Our work to promote democracy and to further human rights goes to the heart of that. It is quite a challenge. We need to change the minds and behaviour of other Governments, and we need to challenge the most intimate political relationship—that between a state and its people.

We do this because a democratic rules-based world will benefit Britain and British people as they go about their daily lives, whether in business, on holiday or simply as taxpayers financing our contributions to military and development missions abroad. We can do that work bilaterally, and we do. In many cases, our human rights work is fundamental to achieving our departmental priority, whether it is climate security or stopping arms proliferation, but—and this is unique in today's era—we also have the ability to work with international partners, so a crucial part of our strategy is to make international institutions work better.

As Minister for Europe, I want to start with the European Union. I know that my predecessor, along with many other Members, has spent months thinking about the institutional questions facing the European Union. I hope that, during my time as Europe Minister, we can move on from that to concentrate on how the European Union can improve not just the lives of its own citizens, but those of the many millions on the borders of the EU who do not yet enjoy the standards, rules and rights—the simple democracy—that we have here.

Mr. John Redwood (Wokingham) (Con): Does the Minister think it is democratic for Ministers to meet behind closed doors and agree laws that are then binding on the House, and for the House to have no right to amend or negate them?

Caroline Flint: I think that one aspect of the Lisbon treaty is how it improves the role of Parliaments in playing a constructive part in the laws that support all of us who live in the European Union. I think that part of our task is to ensure that those accountability networks work well, that there is more transparency and, of course, that people, in whichever EU country they reside, understand the added value—on top of our national endeavours—that supports their needs.

Mr. Peter Bone (Wellingborough) (Con): I entirely agree with what the Minister is saying. Does she think that it is now a good idea for us to have a referendum on the Lisbon treaty, so that we have full transparency in this country?

Caroline Flint: I believe that the Lisbon treaty is good for the United Kingdom and good for Europe. This Parliament approved the European Union (Amendment) Act 2008, which implements the Lisbon treaty in UK law, after detailed debates that took place over 25 days. Twenty-three countries have now completed their parliamentary approval of Lisbon. I know that there is more to be done, but in the meantime there is much relating to democracy and human rights on which we continue to work and make progress.

Daniel Kawczynski (Shrewsbury and Atcham) (Con) *rose—*

Mark Pritchard (The Wrekin) (Con) *rose—*

Caroline Flint: I will give way once more on this point. I should like the debate to be about more than just the Lisbon treaty. I give way—

Mark Pritchard *rose—*

Caroline Flint: No. I am sorry. I give way to the hon. Member for Shrewsbury and Atcham (Daniel Kawczynski).

Daniel Kawczynski: The Minister is absolutely right to say that there needs to be more accountability and transparency on the part of the European Union, but does she not agree that part of the problem is the way in which Members of the European Parliament are elected, under the proportional representation system? The fact that they look after huge regions makes them less relevant and less accountable to their constituents.

Caroline Flint: The task of all elected representatives—councillors, Members of Parliament and MEPs—is to find different ways to connect with their constituents and electorate. That is something that we must work towards. However, part of what we can also achieve is ensuring that the institutions of the European Union are simpler and more streamlined. I believe that that will help all of us who represent constituents in one way or another to make a better case for many of the achievements with which the European Union is enabling us to make progress for the families and individuals whom we represent.

For all the scrutiny and pressure that we rightly put on the EU to deliver, we should not forget that we are lucky to live in a political space that routinely respects our human rights and welcomes our diversity. We take Europe's rule of law, its thriving civil society and the accountability of its Governments for granted, but many millions around the world do not. People on the edges of the EU are clamouring to get in.

Mr. Shailesh Vara (North-West Cambridgeshire) (Con) *rose—*

Caroline Flint: I will make a little progress, and then I will give way to the hon. Gentleman.

In countries further afield, people can see the attraction of the EU: a rich, prosperous area where states' powers are controlled, people can live their lives freely and people's rights are respected. I think that the EU is a powerful illustration of the fact that life is better in a democracy.

Mr. Vara: The Minister will be aware that the Lisbon treaty proposes that, instead of having one commissioner in charge of foreign affairs and another in charge of international development, there should be only one commissioner, dealing with both foreign affairs and international development. Does she not agree that that will subordinate the interests of international development, because whenever there is a crisis, the one commissioner will give preference to international and foreign affairs, rather than the international humanitarian need

Caroline Flint: With the greatest respect to the hon. Gentleman, I said that I did not want this debate to be dominated by the Lisbon treaty, given the many hours that the House and the other place have spent on it. However, I would say this in response to his point. As I have said, the Lisbon treaty provides a simpler, more streamlined EU. There will also be a new system of voting that is more strongly based on population size, and the UK's share of votes in the Council of Ministers will increase by 50 per cent. As we develop in respect of enlargement, of course we have to look at the different structures and at how they operate, but I think that the Lisbon treaty takes us some steps forward.

Mark Pritchard: Will the Minister give way?

Caroline Flint: I am not going to give way to the hon. Gentleman.

Most Governments in the world want something out of the EU: better access to the world's largest market, or a bigger slice of the world's largest development budget. Those can be powerful levers to start a human rights dialogue. The EU's flagship policy to promote democracy is enlargement, which holds the perhaps unique distinction of being the only EU policy that the House has consistently supported. I hope and am confident that that support will remain. The EU is the only international organisation with the ability to transform its own neighbourhood. I would like to highlight some successes of enlargement.

The House is well aware that enlargement has been an economic success, creating more jobs and high growth in both old and new member countries. Enlargement has increased our weight in the world and helps us to deal with the challenges of globalisation, from climate change to the current economic crisis. Enlargement is our most powerful tool for supporting democracy and respect for human rights across Europe. The Mediterranean accessions in the 1980s successfully anchored then fragile democracies in Greece, Spain and Portugal. The last enlargement reunited a Europe that had been divided by the cold war, and supported the growth of democracy from the ashes of totalitarian states, some with a truly dreadful human rights record. Today, the prospect of enlargement is a powerful incentive to improve human rights and governance in those countries that want to join the EU.

Mark Pritchard: I am grateful to the Minister for giving way. On the point about post-Soviet states, can she reassure the House that the brutal regime of President Lukashenko in Belarus will not be rewarded for an election that has yet again not returned any opposition member of parliament, and that there will be a clear and unequivocal message from Her Majesty's Government that bad behaviour in Belarus will not be rewarded?

Caroline Flint: I will come to Belarus later in my speech. I will deal with that point then, if I may.

As I said, the prospect of enlargement is a powerful incentive. Turkey is making progress. The death penalty has been abolished. Access to Kurdish language media has improved, including programming by the state broadcaster. Concerns over freedom of expression have started to be addressed by reform of the penal code. A zero-tolerance approach to torture has been adopted,. The number of women in the Turkish Parliament doubled in the 2007 elections.

Thanks to EU pressure, the victims of Srebrenica have finally seen Radovan Karadzic arrive in The Hague, with the UK at the forefront of those who called for progress on accession to be linked to co-operation with the international tribunal.

Of course challenges remain in the Balkans and in Turkey. In Turkey, the EU has made it clear that reforms are still needed to consolidate progress on basic freedoms such as freedom of expression as well as minority, ethnic and religious rights, but those issues will be addressed because those Governments know that there is a real prospect of EU membership.

Mr. John Greenway (Ryedale) (Con): The Minister cites the improved human rights record of countries such as Turkey and other countries in eastern Europe. Does she not acknowledge that much of that improvement stems from their membership of the Council of Europe and that the prospects of their joining the EU in the foreseeable future are pretty slim? On enlargement, does she agree that the Council of Europe's neighbourhood policy is the most effective way of monitoring the human rights record of applicant countries, not anything done in Brussels?

Caroline Flint: I respect what the hon. Gentleman has said, and I shall refer to the Council of Europe later. I commend it on its work—particularly, to cite one example, regarding the abolition of the death penalty in many countries. I hope that he agrees that this is not a competition with other organisations, but is about how we can best work together from our own vantage point to get the best value possible out of promoting a democratic and human rights agenda. He is absolutely right to commend the Council of Europe, but there are other organisations that also play their role.

Mr. Gordon Prentice (Pendle) (Lab): My friend has been speaking about Turkey. There are 44 majority-Muslim countries in the world, and yet only a handful—maybe three or four—are functioning democracies as we would understand that term. Why is that the case?

Caroline Flint: There are many different reasons, as my hon. Friend is aware. All I have to say in response is that we make sure these issues are raised with each and every individual country with which we engage on human rights, and we look for different ways in which we can influence those countries to make progress. There is no one blueprint; we have to acknowledge the situations we find ourselves in with these countries, and their alliances, but importantly we never give up on trying further to progress a human rights agenda. That is at the heart of what we do; it is not an add-on or an either/or in the work we carry out.

Progress on Turkey's EU accession is also highly dependent on progress on a Cyprus settlement. I was therefore delighted to be able to signal the UK's commitment to a united and indivisible Cyprus by visiting the island in my first few days in this job last week, and to encourage both leaders to make progress. I have heard this afternoon—I am not making any claims on this—that, as well as agreeing a helpfully ambitious timetable for the next round of talks, both leaders have announced the cancellation of the regular military exercises and parades that were due to take place later this month and in November. I hope that the House will agree that this is a very positive development that shows what can be achieved through trust and co-operation. I encourage the leaders to continue to conduct their negotiations in the same constructive manner.

Mrs. Ann Cryer (Keighley) (Lab): Is my right hon. Friend aware that Turkey is the only member of the Council of Europe where crimes of honour—forced marriages and so forth—take place within the indigenous community? In all the other Council of Europe member states, they usually take place within immigrant communities. Will she talk about the eradication of forced marriages and other crimes of honour in this country?

Caroline Flint: I commend my hon. Friend on the work she has done in relation to forced marriages and crimes of honour. I am keen to look at all these areas in my post as Minister for Europe, and also to address them with my other colleagues who work in these important areas. There are different examples of progress having been made, such as the understanding by our postings overseas of how important these issues are. As well as looking to domestic policy, we must look at our opportunities on the global stage to deal with such actions, which go against the basic human rights that women in particular should have access to.

In July, the EU launched an initiative for a union of the Mediterranean to strengthen our support for reform in the region, and last month the European Council recognised that, in response to recent events, the EU needed to step up its relations with our eastern neighbours. Throughout the region, people share our values and aspire to our model of democracy. Ukraine is making the fastest progress. The traditions of democracy are building strong roots with every election. As the Foreign Secretary set out in August in Kiev, we believe Ukraine should be able to become a full member of the EU when it meets the criteria, but we also need to embed, outside elections, democratic processes in the fullest sense.

This autumn, the Commission will make recommendations for a new eastern partnership. We want that to be ambitious and to recognise the European aspirations of our neighbours, and to strengthen our practical support for democratic and economic reform. These actions are a sign that the EU is becoming less preoccupied with its own structures and more interested in the outside world—a stance the UK has shaped and supported.

The EU is also supporting new democracies and helping to construct civil societies in countries that have little tradition of dialogue. In Georgia, EU monitors have been deployed to support the peace agreement,

and the Russian troops have moved back. Many EU missions help develop the rule of law, which is vital for sustainable security and economic growth. In Kosovo, the EU has more than 2,000 experts working with local police, customs and justice professionals.

The neighbourhood is the first step, but not the only one. The EU's foreign policy is what we can make it. For example, in the past year we have pushed the EU to take strong stances against the repressive regimes in Zimbabwe and Burma. I want it to be more decisive, able to act more quickly and more proactive in spotting potential human rights concerns before they become full-scale problems.

Of course, we should not forget the impact that the EU can have on the world's development through trade. The crippling slowness of the Doha round is preventing many of the world's citizens from gaining access to global markets and the benefits that that can bring their development. The EU, the world's largest trading bloc, must push to break the deadlock and secure an ambitious outcome to the talks.

The EU has at its heart a commitment to democracy and human rights. I hope that we will have the scope and opportunity in the House and in Brussels to debate the EU's role as a champion of human rights and to encourage stronger action in that direction. However, the EU is not the only international organisation. The 60th anniversary of the United Nations declaration of human rights will take place in December. It is a reminder that some values and aspirations are universal and that states can come together and agree a set of common standards. Those standards, in turn, have been codified into a series of legally binding obligations. "Obligation" is a serious word, meaning something more than an aim or aspiration. The older UN texts, such as the convention on torture and the international human rights covenants, and the newer texts are binding on the states that have ratified them. That means that all of us, the UK included, must respect them.

Of course, it is tempting to set out in this debate the large raft of legislation flowing from our international commitments that is before us in the UK at any one time, but this is a debate on foreign policy so I shall stick to the rest of the world. Another hugely significant aspect of the legal framework set out in the UN and other places is that it opens each of us to the scrutiny of other states party to the treaties. Without that scrutiny, the many pages of promises would be worthless. We in the UK support more action to monitor countries' performance on human rights, for example in the UN Human Rights Council and the General Assembly. Unfortunately, that work can be undermined if it is seen simply as a process of recrimination and of putting country X in the dock. Sometimes that may be necessary, but rarely. The vast bulk of countries, the UK included, benefit from discussion about the merits of their domestic legislation and, importantly, their actions.

Mike Gapes (Ilford, South) (Lab/Co-op): May I be the first Labour Member to welcome my right hon. Friend to her post? She referred to the UN Human Rights Council. Does she agree that progress in that organisation has been very disappointing? A bloc of countries seems to be operating as an "axis of sovereignty", as some people have called it, and blocking the universal implementation of the international human rights standards. In the 60th anniversary year of the universal declaration, it is deplorable that a number of countries, including some democratic countries, are not prepared to adopt those universal standards.

Caroline Flint: I take this opportunity to commend my hon. Friend for his work on the Select Committee on Foreign Affairs. The United Nations does a great deal that is good, but it must also be open to scrutiny and reform. That is why the monitoring and scrutiny of individual countries, including our own, in relation to the conventions and treaties that we sign up to, is an important part of maintaining pressure to turn signatures into action. That commends the organisation and gives it a lease of life in the 21st century that is appropriate to the challenges and difficulties that we face today.

Mr. Stephen Crabb (Preseli Pembrokeshire) (Con): The hon. Member for Ilford, South (Mike Gapes) made an important point, to which the Minister has not fully responded, about the performance of the new UN Human Rights Council. It was supposed to be a fresh start for the UN in tackling human rights abuses, but so far it has shown all the signs of replicating the bad old ways of the old UN Commission on Human Rights. What can the Minister say to reassure the House that she has some clear ideas about how to improve the effectiveness of that new UN body?

Caroline Flint: A week into the job, I am on a learning and listening exercise, but we are committed to enabling the Human Rights Council to work well. We are one of its 47 members, and we are active in all other areas of the UN that deal with human rights. We welcome the appointment of the UN High Commissioner for Human Rights, Navi Pillay, and we actively support such work, but we have to look at how this works in practice. The UN and the EU are different organisations, and I and other Ministers will continue to look at them to see how best we can make sure that the various structures work as well as they possibly can.

We often need to remember that human rights work involves more than the few very badly performing states; it is as important to focus on the countries that are in transition and committed to the rule of law, but which need assistance to get there. Building democracy is a slow, painstaking process, but we have had some successes. In Bangladesh, for example, the Department for International Development contributed to a project to create a state-of-the-art register for 80 million people, complete with photos and fingerprints. We did that in just 15 months, so I say well done to all those involved. The result is that in August, there were peaceful and successful local elections with a turnout of some 80 per cent; importantly, that included a high turnout of women and minorities within the community.

The frameworks, conventions and declarations on human rights therefore form the backbone of the international system. It is the responsibility of our generation to ensure that they are more than pieces of paper, and that they are genuine commitments backed up with action—a point reflected in the interventions today. We also need to ensure that the UN General Assembly is more than a talking shop. When the UN works it is a powerful instrument for good, as the recent success on the arms trade shows—how many lives will

[Caroline Flint]

be saved because of this piece of paper?—but these successes must become more frequent and more assured. We want to reform the international system to ensure that the words are matched with actions.

Mr. Vara: Does the Minister agree that although it is one thing to bring about more democracy in countries that require it, it is also important that we concentrate on those that might start going backwards? We should consider the recent example in Kenya. We have to be vigilant and ensure that, where the torch of democracy is lit, it does not die away.

Caroline Flint: The hon. Gentleman makes a good point. The fact is that democracy and human rights are an issue that is never over. As well as the countries that are often pointed out as the worst examples regarding a lack of democratic institutions and the infringement of human rights, there are many that are perhaps in between—in a state of transition—and where, when progress is made, things happen that put it back. I am afraid that human rights and democracy are not an issue on which we can tick the box and say, "Job done". This is a continuing engagement that will task the minds of all of us here today, and of generations to come.

Mention was made of other organisations. The Council of Europe, in the UN vein, produces human rights norms for the whole of Europe. As I said earlier, more than any other actor it has succeeded in eradicating the death penalty in Europe. The Organisation for Security and Co-operation in Europe is another important part of Europe's human rights architecture, particularly in its election monitoring. The European Court of Human Rights, by giving individuals the power to petition the Court directly, holds Governments directly to account, but it is increasingly becoming the victim of its own success. As its case load has grown, so have the delays in making judgments. That problem must be addressed.

Malcolm Bruce (Gordon) (LD): Does the Minister not acknowledge the difficulties that some people have in petitioning the court because of obstruction in their own countries? For example, some of those whom many of us would regard as political prisoners in Russia are finding it increasingly difficult to get justice there or to take their case to the ECHR; sometimes, their lawyers are even murdered, or are intimidated and will not take the case forward. What is the UK doing to try to help the Council of Europe resist such manipulation?

Caroline Flint: We are a positive and strong supporter of the Court and we would seek in whatever ways we can to support the implementation of its powers, but where we can we do raise in different ways with different countries issues associated with human rights and individuals. This is about making sure that these institutions work for the purposes they were set up for, but I am happy to look into the point that the right hon. Gentleman has made in order to see what else we are doing, and to write to him.

Mr. Tim Boswell (Daventry) (Con): First, will the Minister undertake to give personal attention to the question of resourcing the ECHR in view of the work load, which, as she said, is rising exponentially? Secondly, given that President Medvedev has indicated a wish to rebuild where some recent difficulties have occurred in bilateral and multilateral relations, can she put all possible pressure on him to encourage the state Duma to ratify protocol 14, so that we can get a better process in the Court and get the backlog tackled?

Caroline Flint: I note the points that the hon. Gentleman makes, and I shall look into those matters. We clearly want to ensure that we can build relations with Russia. Recent actions, in many respects, isolate Russia. We do not want to isolate Russia; we very much want to build our relationship with that country.

Mark Pritchard: I am grateful to the Minister for giving way again; she is being very generous. She mentioned dialogue with other countries. What dialogue has been held with the Government of India following the murderous events of the past two or three weeks in the state of Orissa? Although India might be the world's largest democracy, what has happened over the past few weeks is not necessarily a sign that it is the world's most mature democracy. Allowing freedom of speech and freedom of religion is a sign of maturity, and I hope that the Minister will send the strongest signal to India that this sort of behaviour in respect of religious minorities is not acceptable.

Caroline Flint: The hon. Gentleman makes an important contribution. We welcome the Indian Prime Minister's unequivocal statements condemning the continued violence against Christians in Orissa, the most recent of which was made on 29 September, following the EU-India summit. We urge the Government of India to uphold the right to freedom of religion and to bring to justice those responsible for attacks against people of all religions in India. I am happy to write to the hon. Gentleman with any more detail that I can provide on that issue.

John Hemming (Birmingham, Yardley) (LD): I thank the Minister for giving way on this particular point, because the right of individuals to petition the European Court of Human Rights is very important. In the past couple of months, I have been contacted by the Advice on Individual Rights in Europe—AIRE—centre, which assists people from England and the United Kingdom generally in going to the ECHR. The AIRE centre was concerned that the paperwork necessary for people to petition the European Court was not being provided—I am talking about family law, which the Minister will not be surprised to learn is one of my interests. Is there someone in the Government who would assist a petitioner who is being refused their documentation and thereby being prevented from going to the European Court?

Secondly, although it has signed it, the UK is one of the few countries not to have ratified protocol 4 to the European convention on human rights. That protocol means that one cannot take somebody's passport off them. Is there a reason why the UK continually fails to ratify that protocol? Does the Minister feel that it is acceptable that somebody is banned from leaving the country in that way?

Caroline Flint: I hope that the hon. Gentleman will bear with me; I am happy to write to him shortly on those two rather detailed points. It is important that we discuss these issues and that any constituents' concerns can be followed up.

I would like to pay tribute to the work of our other partners, such as the Commonwealth, which promotes human rights standards across its membership, and non-governmental organisations such as Amnesty International and Human Rights Watch. Those organisations demonstrate that work to promote democracy and to protect human rights goes on at two levels; it addresses the need to change a Government's policy, and the need to protect individuals. Our bilateral action on human rights is a combination of those two approaches. The internal legal framework is the foundation of all our bilateral work on human rights. We feel that we have a legitimate right to encourage countries to sign up to these texts and a legitimate right to be concerned when they fail to meet their international obligations. Although the rights themselves are universal, indivisible, interdependent and interrelated, there are many different routes towards honouring the commitments.

Some lessons stand out. Conflict situations put pressure on human rights. That is equally true for countries trying to protect their citizens from terrorism as for countries in the grip of a civil war, but there is no one hard and fast rule to address every human rights issue relating to conflict and counter-terrorism. For example, the conflict in Sudan—the site of whole-scale atrocities, gender-based violence, child soldiers and displacement—is different in nature from the lethal violence employed in the Palestinian dispute or from the US detention facility in Guantanamo Bay. What those issues have in common is that we are engaged on them all, trying to figure out the best route to achieve our aims. In the US, we have had serious discussions with the Administration on all aspects of counter-terrorism and human rights issues, including rendition, Guantanamo Bay and the handling of detainees. The US is well aware of our views on water-boarding, for example, and has actively engaged in a dialogue with us on the issues. That frank approach helped secure the release in 2004 and 2005 of all nine of the British nationals detained at Guantanamo Bay as well as four individuals who had formerly resided lawfully in the UK. Continued close co-operation with the US is critical to our ability to counter the threat posed to the UK by global terrorism. Dialogue on the importance of human rights to our counter-terrorism efforts is a critical part of that.

Daniel Kawczynski: The Minister mentioned Sudan, and we have debated the humanitarian situation in Darfur for a long time now. The Prime Minister promised us an initiative on the matter in the UN some six months ago, yet I see little progress. I visited the camps in Darfur, and the situation there is one of the most appalling that I have ever seen around the world. Will the Minister say whether a Minister in her Government has recently met the President of Sudan to tackle him directly over those barbaric atrocities?

Caroline Flint: I will provide the hon. Gentleman with details about who has met whom and where. In Sudan, aside from the considerable humanitarian support that I hope that the hon. Gentleman will acknowledge is offered by DFID, we see that the best route to success lies in a permanent peace settlement. That will not come about because the UK says so, so we need to work within the UN to achieve it. That can be frustrating, and I hear that in his remarks. It can be slow, but it is the way most likely to end not only the conflict but human rights abuses.

The middle east peace process has for a long time been at the top of UN agendas, but the EU is also playing an important role, particularly on security sector reform. The EU, for example, leads on building capacity for the Palestinian civil police.

Tony Baldry (Banbury) (Con): Before we move on from Sudan, let me point out that Darfur shows the fragility of the international community's ability to support the emerging norm of the international community's responsibility to protect. The matter is not just about the failure of the Security Council to enforce that; the international community does not have the military lift capacity to do so either. We are hoping that things in Darfur will not get worse and that something will turn up. There is no UN peacekeeping force in Darfur, effectively, and there is no real process in Darfur. The responsibility to protect is just being forgotten.

Caroline Flint: It is not forgotten. I acknowledge how frustrating and difficult the process is. In answer to the earlier intervention by the hon. Member for Shrewsbury and Atcham, (Daniel Kawczynski) I can say that the Foreign Secretary told Sudanese Vice-President Taha in New York on 27 September that the Sudanese Government should co-operate with the International Criminal Court over crimes committed in Darfur and should take bolder and more ambitious action to bring peace in Darfur. The process is difficult, slow and frustrating, but the UK Government are doing all we can on a number of different fronts, through our development funds and our engagement on every level, to try to support a peaceful resolution in Sudan.

Human rights work is not simply about exposing abuse. It is about changing mindsets, and so our work across the globe, whether in Pakistan, Afghanistan, Zimbabwe or Iraq, is targeted and pragmatic. The end point is not necessarily to humiliate a Government, but to get them to change and to reach a point where there are no longer 7,500 people on death row in Pakistan, where the Afghan Government do not execute 15 people in the middle of the night, where Zimbabwe has free elections and where women are no longer, as my hon. Friend the Member for Keighley (Mrs. Cryer) mentioned earlier, the victims of so-called honour crimes in northern Iraq.

Before I finish my remarks, I want to return to my original theme.

Sir Malcolm Rifkind (Kensington and Chelsea) (Con): I deliberately waited to see whether the Minister was concluding her speech. It is striking that in a debate that is intended to show the Government's approach to promoting democracy and human rights, the Minister has so far concentrated entirely on soft power, not hard power. She will be aware that she is a member of a Government that for their first 10 years, under Tony Blair, made a virtue of arguing that military means would have to be used from time to time, such as in Kosovo and Iraq, either to promote democracy or for regime change. Should the House interpret the absence of even the slightest reference to that in her speech as she approaches her concluding remarks as meaning that the Government, under the new Prime Minister, no longer believe in that approach and are unlikely to pursue it in the way that we saw during the first 10 years of this Labour Government?

Caroline Flint: I should not like the right hon. and learned Gentleman or anyone else to interpret anything that I have not said. I mentioned that our work in the Foreign Office is closely linked to the work of DFID and the Ministry of Defence, and there clearly have been situations, as no doubt there will be in future, where our military capacity will play a contribution, but they have to be determined case by case. Last week, for example, it was interesting for me to meet British soldiers in Cyprus who are part of the UN peacekeeping forces trying to make sure that hostilities do not erupt in the island. Some of the British soldiers whom I met were from south Yorkshire, where my constituency is, and they had just come from Darfur and other places around the world where they daily witness violence and the death of civilians. I do not want anyone to intimate that we do not think carefully about the issue, but today's debate is intended to look particularly at what the Foreign Office does in relation to human rights and democracy in the world.

Dr. Tony Wright (Cannock Chase) (Lab): May I pursue the intervention that was just made? It raises issues that at least need to be mentioned. I refer particularly to voices from the United States that, reflecting frustration with the international community, talk of the need for a league of democracies that can do the kind of things that were said to be necessary a few years ago. Is such a proposal, with its intention to bypass the frustrations of international organisations in achieving certain democratic objectives, one to which the Government are attached?

Caroline Flint: I understand that some of that debate arises from the US presidential campaign, so I am not sure that it is appropriate for me to comment. One thing is clear, however: there will be a new President in the months to come, so there will be opportunities to think about our relationship with the US on the international stage, as well as the relationship between the European Union and the US. That will be interesting and will, I hope, build on our constructive relationship with the US and offer new opportunities.

Mr. Philip Hollobone (Kettering) (Con): Will the Minister give way?

Caroline Flint: I want to make some progress.

As Europe Minister, I thoroughly support the EU policy to promote and protect human rights defenders. They may be lawyers or politicians, they may be housewives or soldiers, but they share one thing—they are on the front line of human rights and, more than any policy document, they provide a short sharp glimpse into the world's trouble spots.

It is brave for one individual to challenge a state, especially on its human rights record, so such people need our support and I conclude my speech by paying tribute to some of them: Anna Politkovskaya, a Russian journalist shot dead outside her home in 2007, and the many supporters of the "One Million Signatures" campaign in Iran, men and women calling for an end to discriminatory laws against women, many of whom have been harassed, detained, interrogated, and in some cases even prosecuted for crimes against national security, simply because of their efforts to support equality.

At present, attention is focused on the Nobel peace prize, awarded to Martti Ahtisaari for his efforts over three decades to resolve international conflicts. I also support other prize-winning human rights activists: Gege Katana, who has stood against sexual violence in Congo, winning the Front Line award, and who was guest of honour at a reception at the British embassy in Kinshasa, and Sudanese human rights lawyer Salih Mahmoud Osman, winner of the European Parliament's Freedom of Thought prize.

Many human rights defenders are in jail or under house arrest. The most prominent is Aung San Suu Kyi, who provides a reminder to the people of Burma that there is an alternative to military repression. In China, Chen Guangcheng received a sentence of four years and three months for obstructing traffic and damaging public property. He, too, is a human rights defender. British embassy monitoring helped to secure EU pressure for the release of Umida Niyazova from an Uzbekh prison. On the EU's doorstep, Viktor Gonchav, Anatoly Krasovsky, Yury Zakharenko and Dmitry Zaradsky opposed the Belarusian authorities. They disappeared during 1999 and 2000. There has been no independent investigation. However, to come back to an earlier intervention, I welcome the recent release of the last three political prisoners in Belarus. For the first time in a decade, that country has no political prisoners, and that is a positive step. Our reactions to that have to be tempered by the fact that we must continue to encourage engagement, while recognising that, in some instances, sanctions of different kinds continue to have a purpose as progress is made.

Finally, let us remember Gift Tandare and the many other victims of Robert Mugabe's repression in Zimbabwe. Violence and the threat of violence have long been the chosen political tools of Mugabe and his party. When the then Opposition leader, Morgan Tsvangirai, was beaten last year, Mugabe's response was that he deserved to be "bashed"; he told the police to "beat him a lot". A positive future in Zimbabwe depends on the violence of the past never being repeated.

The people whom I mentioned have fought for the causes they believe in. They have been unfairly imprisoned and have suffered. Part of our policy on human rights must be to fight their corner, just as we must tackle their Governments. Above all, we must build an international community that ensures that our universal human rights are universally promoted, respected and protected.

5.15 pm

Mr. David Lidington (Aylesbury) (Con): First, may I welcome the Minister for Europe to her first foreign affairs debate in the House? I congratulate her on what I understand to be her imminent appointment to the Privy Council.

Caroline Flint: I am already a Privy Councillor.

Mr. Lidington: I apologise; I am delighted to be able to welcome and congratulate the right hon. Lady. I also welcome the Under-Secretary of State for Foreign and Commonwealth Affairs, the hon. Member for Lincoln (Gillian Merron), who will wind up the debate on behalf of the Government.

This afternoon's debate is, as I understand it, something of a last-minute arrangement. My hands were almost wet with black ink this morning as I read the Government's response to the Foreign Affairs Committee's report on

human rights—a response that seemed to have been rushed off the presses in double quick time, as neither the Table Office nor Amnesty International had a copy as recently as last Thursday. However, it is welcome, particularly as this December we mark the 60th anniversary of the universal declaration of human rights. That declaration was full of confidence and hope. It was drawn up by men and women who knew what they were talking about, because they had experienced the horrors of the second world war, and the destruction of human liberty and dignity that it entailed.

The declaration was not conceived as a treaty or a list of legal obligations, but rather as a set of universal principles to protect and enrich the lives of all humanity, and to guide and inspire the policies and actions of all nations. Sixty years ago, Eleanor Roosevelt, who chaired the drafting commission, urged the General Assembly of the United Nations to support the universal declaration as a first step towards a world in which the dignity, autonomy and freedom of every human being was properly respected. She spoke of work to turn the words of the declaration into practical, concrete policies as

"the unfinished task which lies before us."

If we are honest with ourselves, we must acknowledge that the task is still far from complete, and that millions of our fellow men and women still live in the shadow of war, oppression and persecution.

Such a breadth of issues are covered by the title of today's debate, by the Foreign and Commonwealth Office's annual report on human rights and by the Select Committee's comments on it that my remarks will inevitably be selective. I agree with the Minister that we should conduct our foreign policy in a manner that strengthens and supports our values and our commitment to democracy and human rights. We have to be honest with ourselves: it is true that the management of international affairs will always be tempered by realism. We have to work in the world as it exists. Human rights are not the only consideration when framing this country's foreign policy; nor have they ever been the only consideration when framing policy for any Government of any political party.

Whoever serves as Prime Minister or Foreign Secretary must take account of factors such as trade, terrorism, cross-border crime and energy security. Sometimes efforts to end a civil war or to resolve an ethnic or religious conflict may involve contradictory pressures. Do we make our first priority the duty to bring to justice those responsible for barbarous and criminal acts of persecution, or is the priority to bring about an end to the conflict and suffering, even if that means that a tyrant is let off the hook and can retire in comfort? Those dilemmas are real, and that point was acknowledged by Human Rights Watch in its written evidence to the Select Committee about the 2007 report.

Mr. Boswell: I am sure that my hon. Friend will have had a chance to study the European convention on human rights, which is a pellucid document. Does he not agree that all those derogations or qualifications of the undiluted human rights mixture—for example, the needs for national security, terrorism and, indeed, the clashing of rights—are explicitly allowed for? It is the conditions under which those derogations operate that may be of interest.

Mr. Lidington: My hon. Friend makes a good point. It is worth quoting the comments of Human Rights Watch, which begins by congratulating the Government:

"In the case of torture and counter terrorism, the report"—

the Foreign Office report on human rights—

"explicitly elaborates and analyses one such dilemma. Human Rights Watch believes that it would be useful to extend this approach to other areas where respect for and promotion of human rights are somehow seen as being in conflict with UK interests, for example energy security, development, commercial relations and conflict resolution. Many of these dilemmas are real. But it is only by setting them out clearly that one can deal with them and devise strategies to align interests more closely with ethics."

I agree with those comments, and when I read them, I thought that they were a constructive criticism. I hope that the Government will accept them in that spirit and act accordingly.

Mark Pritchard: I am so glad that my hon. Friend started off with setting priorities, because I am sure that he will share my shock and dismay that, when one looks on the Foreign and Commonwealth Office website at strategic priorities and policy goals, particularly inward visits from foreign Members of Parliament and Ministers, one finds no reference to human rights whatsoever. Of all the inward visits that I have seen for the past month, the vast majority have been to do with climate change exchanges—not one single inward visit has been to do with human rights.

Mr. Lidington: I very much hope that when Foreign Office Ministers meet their counterparts from whichever country, the promotion of human rights is part of the agenda for discussion.

Having made those qualifications, the principle remains true: if we pursue our national interest while neglecting our policy's human rights implications, we will fail. Not only do we have a moral imperative to act when human rights violations occur; it is in our national interest to see human rights advanced and protected worldwide. A world in which those values prevail is one that is more secure, more stable and more prosperous than the world we have today. Our foreign policy should reflect, in our conduct abroad, the values that we cherish at home.

Mrs. Madeleine Moon (Bridgend) (Lab) *rose*—

Mr. Lidington: I shall give way in a moment.

The promotion of human rights should not be seen as an add-on, but as an integral part of our thinking, incorporated in, for example, our national security strategy and our policies on international development. For instance, I should like us to build plans for the reduction and eradication of human trafficking into our poverty reduction programmes, and to find a way in which to integrate our concern for human rights into the pursuit of millennium development goals.

Mrs. Moon: The hon. Gentleman has gone on to make the point that I wanted to make about the involvement of not only our foreign policy but our international development policies. However, does he agree that to a large extent our focus has to be, and is, on education, in respect of how we inculcate our values? In part, our values have been demonstrated through our insistence on education. I am thinking particularly of education for girls and our insistence on raising the status of women throughout the world.

Mr. Lidington: The hon. Lady has made a good point, and I completely concur. Education—particularly the education of women and primary education—is an absolutely vital tool in a successful international development policy, including in those elements of the policy that focus on encouraging pluralism and respect for the civil rights of others.

Of course, we cannot simply reorder the world as we choose. We do not have the power to do so and, as my right hon. and learned Friend the Member for Kensington and Chelsea (Sir Malcolm Rifkind) hinted earlier, soldiers can remove a tyrant but find it difficult to build a functioning democratic system to take over. If the events of recent years have taught us anything, it is surely that if democracy and human rights are to take root, they need to grow in a way that is sensitive to each nation's history, culture and tradition. If we think about the history of Europe since 1989, it is striking that democracy and civil rights have flourished most quickly and richly in countries whose political cultures already had elements of pluralism within them and in which some people at least had a memory of how a democratic system of government and democratic and pluralist institutions ought to function.

However, there are things that we can and should do. As the Minister discussed, one is to give practical support for building and sustaining democracy. I agreed with her point that membership of the European Union has helped to strengthen new and fragile democracies in Spain, Portugal, Greece and, more recently, in eastern and central Europe. I agree, too, with her tributes to the Council of Europe and the Organisation for Security and Co-operation in Europe.

This country has a good track record of contributing what one might term "democratic know-how" to new democracies. I had better declare that I am a governor of the Westminster Foundation for Democracy; I do so because I want to pay tribute to the hon. Member for City of York (Hugh Bayley) and his predecessors as chairmen of the WFD, which has contributed hugely, in a largely unsung and unglamorous way, to the strengthening of democratic institutions in eastern and central Europe and now also in other parts of the world.

Secondly, we can speak out; we have the freedom to speak without fear of retribution. It therefore becomes our duty to lend a voice to the millions of people who are denied that right. I want to touch on one or two countries for which that duty is pressing. I should like to consider the case of Burma first. At the beginning of this year, I thought that the record of the Burmese Government could have plunged no lower. However, even those of us who believed that we were inured to the horror that is government in Burma were shocked by the ruthless brutality of a military junta who were prepared to obstruct efforts to bring help to the dying and destitute in the wake of cyclone Nargis.

The Secretary-General of the United Nations is due to visit Burma this December, and that is welcome. However, I hope that the Government agree that the time has come to bring to an end the apparently open-ended and inconclusive diplomatic exchanges with the regime. Do the Government agree that it is now time to set clear benchmarks for the Burmese junta and deadlines for meeting them? I hope that they will press for such an approach at the United Nations Security Council and in their bilateral exchanges with the Secretary-General. The very first step should be the release of political prisoners in Burma—something that was demanded by the Security Council a year ago and on which no action has yet been taken by those who rule Burma.

John Bercow (Buckingham) (Con): I welcome my hon. Friend's reasonable and nuanced speech. As chairman of the all-party group for democracy in Burma, I pay tribute to what he just said. Does he agree that as the regime is unquestionably one of the most bestial oppressors in the world, and that as we in this country have no vested interest in turning a blind eye, we should press robustly for a binding Security Council resolution against the regime and support pro-democracy organisations in that country?

Mr. Lidington: I completely agree with my hon. Friend. The Minister's particular responsibilities at the Foreign Office are to do with Europe, and I hope that she will go back from this debate determined to ensure that Burma is high on the agenda of meetings of European Foreign Ministers. An EU Heads of Government summit is due this week and an Asia-Europe meeting is due on 24 October. I hope that at the latter meeting in particular the British Government will ensure that the issue of Burma is brought to the fore.

This is not only to do with China or India but with Burma's neighbours—Malaysia, Indonesia and all the members of the Association of Southeast Asian Nations which have it in their power and influence to affect the survival and the manner of government of the Burmese junta. I hope that every bit of diplomatic weight that the United Kingdom can bring to bear will be used to determine a European approach to those discussions and to put the maximum pressure on our Asian friends in order to secure a measure of greater liberty and common decency for the people of Burma, who have suffered for far too long.

Tony Baldry: My hon. Friend is making a powerful speech. May I put to him another reason why it is important that this must be done at EU level? It strikes me, as vice-chairman of the all-party China group, that one of the difficulties that we have in situations to do with countries such as China or India is that we are simultaneously trying to promote trade and talking about human rights. It is often difficult for individual countries to do that in the same conversation, whereas if the EU as a whole brings pressure to bear on China or India on an issue such as Burma, we are making it clear that, irrespective of our separate interests, our concern about human rights is paramount and overwhelming.

Mr. Lidington: My hon. Friend, who is Chairman of the International Development Committee, makes a powerful point, and I completely agree with him.

European action is necessary in respect not only of Burma but of Zimbabwe. In Zimbabwe, the fragile power-sharing agreement looks as if it is on the verge of collapse. Mugabe seems determined to wriggle out of sharing power and to inflict yet further hardship on his wretched and long-suffering people. I hope that during the concluding stages of this debate the Government will be prepared to say clearly that if that power-sharing deal does indeed break down the United Kingdom will

not hesitate in pressing in the European Union and at the United Nations for further action, particularly for further targeted sanctions directed against Mugabe and his henchmen, who run that despotic regime.

Mr. Hollobone: I am grateful to my hon. Friend for touching on Zimbabwe, because the Minister did so only in passing and without intervention. Surely this is the saddest example of the diminution of British power overseas. With one third of the population displaced and an evil tyrant who has taken away any democratic rights, Britain is almost powerless to do anything. What is my hon. Friend's view of the growing influence of China in southern Africa, particularly in Zimbabwe, given that China seems to be propping up that brutal regime?

Mr. Lidington: We should be using our contact with China—both our bilateral contacts and our discussions within the forum of EU-China relations—to bring pressure to bear so that it sees that its growing role as a powerful player in international diplomacy and economic affairs carries with it a responsibility to use that influence for the good of the people of the countries with which it trades. I do not despair of China's reaction because we have seen, particularly in respect of North Korea, to some extent with Darfur, and even—on some details—in relation to Zimbabwe, a shift on the part of the Chinese Government. China is not yet pursuing a course where it gives priority to civil rights and democracy in Zimbabwe or any other country, which I wish to see, but that should be a key element in the dealings of the British Government with China now and in the future.

John Bercow: My hon. Friend is exceptionally generous, as I know because he is a constituency neighbour of mine. Does he think that Mugabe fears the International Criminal Court, or is the man capable only of greed, violence, hatred and megalomania?

Mr. Lidington: There are grounds for believing that Mugabe does fear the International Criminal Court, and it is one sanction that we should not take off the table. We should be prepared to contemplate it. Mugabe has had the opportunity in the agreement brokered by Thabo Mbeki to leave office or cede power with what I suppose in his eyes is a degree of honour. He seems to be determined to reject that opportunity, and to cling on to the last vestiges of power for as long as possible. It should be made clear to him that serious consequences could flow from that decision.

I want to say a few words about a broader challenge to human rights that is not restricted to one particular country: persecution on grounds of religion. Article 18 of the universal declaration asserts the freedom of thought, conscience and religion. Too often, that freedom is denied—sometimes by Governments and sometimes by extremist groups operating within a particular state. One could cite the persecution of the Bahai's in Iran, attacks on Christians in parts of Pakistan or the destruction of churches and the displacement of 50,000 refugees in the state of Orissa in India, but what should give us in Britain particular cause for concern is the discrimination against religious minorities, particularly Christians, in countries where British troops are serving to sustain democracy and human rights.

Afghanistan still seems, if certain high-profile cases are correctly reported, to have a legal system that condemns apostasy as a criminal act and will provide for the death penalty if someone is convicted of apostasy. In Iraq, there are persistent reports from the Nineveh plain—I appreciate that that is not the area where British troops have served—that there is little effective security, and that illegal annexation of land is taking place. What seems certain is that thousands of families of Christian belief have been displaced from their ancestral homes in that part of Iraq.

Daniel Kawczynski: Briefly, on the point my hon. Friend made on Zimbabwe, will he join me in congratulating the President of Botswana and the late President of Zambia, who showed courage and integrity in their public condemnation of Mugabe?

Mr. Lidington: I am happy to do so.

Mark Pritchard: My hon. Friend touched on the subject of apostasy. Does he share my concern that, never mind what is going on over there, people here in this country who choose, or choose to turn away from, particular faiths are being threatened with death? Will he put on record our Front Benchers' view on such a scenario in this country?

Mr. Lidington: Any threats of that nature would seem, prima facie, to be a breach of criminal law in England, and I would like to see robust action taken against the perpetrators of any such threats. We are rightly proud of our tradition of religious toleration in this country. It took us many years of struggle, debate and difficulty to reach it, and it is a prize on to which we need to hold fast.

It is not enough to speak about abuses of human rights in other countries. As has already been mentioned, if we are to be taken seriously in the world, we must be ready to acknowledge when we—or one of our allies—gets things wrong. There is no doubt in my mind that allegations of prisoner abuse or of rendition leading to torture, however isolated, have done a great deal of damage to the moral authority of the western world. Our words will carry weight only if they are supported by efforts to adhere to the high standards that we preach.

I welcome the thorough analysis of the claims about rendition that was conducted earlier this year by the Government and by the United States Department of State. I was pleased that firm assurances have now been given that rendition involving this country will not be permitted unless it is undertaken strictly in compliance with our country's laws. However, there is a loose end to the rendition question that needs to be tied up, and I hope that the Minister will be able to deal with this point in her response to the debate.

In December 2006, the United Nations General Assembly adopted the international covenant for the protection of all persons from enforced disappearance, and Britain was active in promoting that covenant. However, we have not yet signed it. In a written answer on 14 November 2007, Lord Malloch-Brown acknowledged that there had been a delay. In a debate on 17 July this year, I asked the Foreign Secretary whether the continuing delay was due to genuine worries about security, or

[Mr. Lidington]

simply to internal delays in the Foreign Office. The right hon. Gentleman said that he would write to me

"with details of where in the Foreign Office's pending tray the issue lies."—[*Official Report*, 17 July 2008; Vol. 479, c. 499.]

Three months on, I am still waiting for that promised response. I appreciate that the Foreign Secretary has had other matters on his mind during the summer recess. However, perhaps he now finds himself with more time on his hands than he had anticipated a few weeks ago. A response is overdue on this significant question in the context of our concern over rendition and detention, and I hope that the Government will not delay further in giving Parliament a proper response.

In pursuing our policy objectives, we also need to support effective treaties and institutions to defend and enlarge human rights. I am happy to reiterate my party's support for the negotiations to secure an arms trade treaty and for the United Nations programme of action on the small arms trade. My hon. Friend the Member for Banbury (Tony Baldry) referred earlier to the responsibility to protect. We want to see the United Nations work, but, as he said, Darfur surely shows that at the moment neither the United Nations peacekeeping arrangements nor those that exist at regional level through the African Union are anything like adequate or effective.

We would also like to see the UN Human Rights Council work effectively, but I agreed with the hon. Member for Ilford, South (Mike Gapes) when he said that its performance had been disappointing so far. If we look at the table on pages 54 and 55 of the Foreign and Commonwealth Office report on human rights, we see listed the voting on key resolutions—those that the FCO decided were the most important. Of those 10 resolutions debated by the UN Human Rights Council, the UK voted against seven and abstained on the other three. One has to ask what is going wrong with that institution when our Government find themselves unable to support any of the 10 most important resolutions.

Clearly, a number of things are going wrong with that UN body. It is surely not right that a country can be elected to the Human Rights Council without even signing up to basic international treaties such as the international covenant on civil and political rights. Surely the process of universal periodic review—the questioning and testing of each country's human rights record—needs to take place in such a way that the countries serving on the Human Rights Council have their records examined first. One should surely expect at the very minimum that the examinations of the records of members of the HRC would have been concluded before the half way mark of the term of sitting. Something is clearly going wrong when, in the universal periodic review sessions earlier this year, we find that Algeria had a great deal of critical comment to make about the Czech Republic and, indeed, the United Kingdom—as I made clear earlier, however, I am not afraid of our being self-critical—but had little to say about its own record. Nor, sadly, did many countries from outside the developed west challenge nations such as Algeria and Tunisia about their human rights records when their turn for examination came.

Next year, the Human Rights Council faces a very big test with the planned conference in Geneva, which follows up the world conference against racism held in Durban in 2001. Let us be honest about it: Durban was a travesty, with Israel singled out for attack and the then Secretary of State, Colin Powell, walking out in protest. Let me make this clear: I have criticised Israel in the past and I will continue to do so over its settlement policy, the route of the security barrier and its treatment of Palestinians, but the notion that Israel—and Israel above all—should be singled out is to deny the reality of what is happening on human rights in the world today.

It is the reputation of the United Nations, and in particular the Human Rights Council, that will be at stake in Geneva next year, and I have to say that the omens are not good. The chairman of the conference planning committee is from Libya, the vice-chairman is from Iran and the rapporteur is from Cuba. Will the ministerial team tell us during this debate whether Her Majesty's Government plan to send Ministers to attend the conference in Geneva or have they already, like Canada, written it off as a bad job? Will the Government fund non-governmental organisations to attend the conference? I think that we deserve some straight answers on those points.

People who have glimpsed freedom—whether it be through books, television, the internet or travel—will never be content until they have secured it for themselves. As Eleanor Roosevelt said 60 years ago:

"People who continue to be denied the respect to which they are entitled as human beings will not acquiesce forever in such denial".

The ideas embodied in the universal declaration of human rights were then and remain now a beacon of hope and optimism to those who endure tyranny and oppression. All of us here, from whichever party or political tradition we come, have a duty to cherish and uphold those ideas today.

5.49 pm

Mr. Bruce George (Walsall, South) (Lab): I am delighted with the subject of the debate. There are many hon. Members here who directly participate in the promotion of democracy throughout the world as Members of Parliament. We are in a Chamber—not this one, exactly—that fought hard and resisted for a long time the process of democracy, denying ordinary working people and women the right to vote. The franchise was pathetically small, but because of external pressures—the Birmingham Political Union of 1832, the Chartists and the suffragettes—as well as other pressures from within our political system and, in many ways, from within our legislature, we evolved, painfully slowly, into a formidable democracy.

Complacency then set in, and there was a rude awakening a few years ago when we realised that not everybody who could vote was imbued with the tradition, which had been laid down for over a century, of one person, one vote. Instead, there was one person, multiple voting. The hon. Member for Birmingham, Yardley (John Hemming) knows a great deal about that, as do others from Birmingham.

I am delighted that the action taken by the Government, the Electoral Commission and the wonderful judge of great literary competence who produced the report on Birmingham has helped to recreate the culture of elections whereby international standards, as well as British standards, are adhered to.

John Hemming: I am pretty certain that the right hon. Gentleman and I do not disagree on this. I would like to highlight the fact that the difference was that Birmingham took action to deal with election fraud, not that it happened only in Birmingham.

Mr. George: The hon. Gentleman was accused of being a very bad witness, but he was right in that he identified the substantial fraud in Birmingham. It scarred a number of political parties, not least my own, but I have traced the evolution of democracy in detail and seen how election petitions originated. In the 19th century, Members of Parliament judged people who had complained about elections, which was almost like Mao Tse Tung's determining the nature of democracy. Members of Parliament were ill equipped to comment on other people's frauds because they were themselves the beneficiaries of fraud. It was only when Parliament and the Government transferred to the senior judiciary the function of addressing election petitions against fraud that the problem was largely solved.

Mrs. Moon: I take my right hon. Friend's point about the evolution of democracy—we cannot just click our fingers for it to emerge in a certain country—but does he agree that we are attempting to make big changes through the Global Opportunities Fund, in particular in China, where we are working at different levels with the legislature, the judiciary, law enforcement agencies, non-governmental organisations and academics so that democracy and human rights are gradually inculcated into the systems and form part of their thinking? It should not be denied that we are helping to move the process forward.

Mr. George: That will save me five minutes of my speech. I emphasised our own backyard to point out—I hope quite forcefully—that before we start to lecture others on democracy and free and fair elections, we should put our house in order. I believe that we are largely doing that as a result of the scandals in a number of cities and towns in this country.

There are many definitions of "democracy", although I shall not go into them. I am an avid reader of *The Economist* and the output of the Economist Intelligence Unit. It has taken a good approach to what constitutes a democracy, using a scoring system that puts the UK—I do not think this is right—23rd out of about 30 democracies, although I am consoled by the fact that the French are 24th. There are also other ways by which one can evaluate whether a country meets democratic standards.

My point is that not more than a fifth or a sixth of countries can be designated "democratic". Many purport to be democratic and many have not the slightest interest in becoming democratic, but some are struggling to do so. We took a long time to achieve democracy—comparatively speaking, we were a wealthy nation in the 19th century—so one has to have a degree of tolerance towards other countries that want to be more democratic, but are in the early part of the process.

Some people mocked Islamic countries in this regard, but in fairness I must point out that a number of countries are trying to be more democratic, such as Albania, which does not have much of a record of democracy. We have done a great deal in the international community in relation to Kosovo and Bosnia. I am a great supporter of Turkey, whose Islamic Government are far better at achieving and maintaining democracy than their ostensibly secular predecessors. They are certainly far less corrupt.

Other examples are Indonesia, Malaysia and Morocco, which are trying hard. Algeria is fighting a war against terrorism and is also trying hard. I have visited Kuwait and other Gulf states, and I head a small non-governmental organisation that is helping capacity-build in the second Chamber of the Omani Parliament. I merely make the point that it is difficult for an Islamic country quickly to move towards western-style democracy, even if it is not from a standing start. Perhaps such countries will not adopt western-style democracy, but I am confident that a number of countries are progressing in the right direction at a pace they can cope with.

We are progressing and the UK's record in promoting democracy is good, but it amuses me to look at the annual report produced by the Department for International Development, whose record in promoting democracy is excellent. In the index to the report, the only reference to democracy, as with the Foreign Office annual report, is to the Democratic Republic of the Congo.

This country is trying hard and succeeding well in promoting democracy, not forcing it down people's throats or saying, "Look, we can tell you how to do it." There is an exchange of experience. Therefore, I hope that future annual reports at least pay lip service to the fact that both those great institutions of our state are promoting democracy. Why do they appear embarrassed to admit that we are promoting democracy? Why are they hiding behind terms such as "human rights", which the Government are promoting and appears in the reports, and "good governance"? Those are weasel words, albeit important words, and I feel embarrassed that those institutions are not prepared to say them.

On democracy promotion, I do not want to give a checklist. I am not one of the greatest admirers of the United Nations, and many of the problems that we heard about earlier are the result of countries with little democratic tradition such as China and Russia—previously the Soviet Union—doing all they can to prop up Governments as illicit and authoritarian as their own.

Security Council decisions can easily be vetoed, so it is not at all surprising that democracy is hardly as high on the agenda as it ought to be. However, it is quite high. The record on what is being done by the political and electoral assistance divisions, and by other parts of the UN, is good. What was virtually the founding document of the UN extolled the virtues of free elections as an essential element of any society in the world. The UN's record is far from bad; it is good and deserves more praise. I am saying that not because I am going there in January, but because the record is not as bad as some people purport it to be.

John Bercow: Given that both the Government of Burma and the Government of Sudan continue to be guilty of the most egregious human rights abuses, that neither of those regimes is improving, and that both are propped up by what I would call the amorality of the Chinese, how does the right hon. Gentleman think that the Chinese can be persuaded to behave in a more responsible and moral fashion, in their own interest?

Mr. George: One would hope that as a result of the inexorable process of democratisation, the more the population are educated and the more—dare I say it?—bourgeois they become, the more they will not be prepared to acquiesce to a decision-making process emanating from the 1920s, 1930s, 1940s, 1950s and 1960s. One would hope, therefore, that the Chinese would reach a point that we and most, or at least many, other countries have reached. Russia has not reached that point, I am afraid, because its progress in the rather anarchic democracy of Yeltsin has been deleted. We may not quite be returning to the Soviet era, but we are certainly heading towards an era in which sovereign democracy is as plausible a concept of democracy as were the people's democracies in eastern and central Europe from the 1940s onwards.

I should like to say that the United Nations is doing a good job. Other international organisations are certainly doing a good job—including the Organisation for Security and Co-operation in Europe, although the Russians can veto any decision made in the OSCE. I am not the foremost devotee of the European Union system, but I have been back and forth quite frequently exploring the EU's role in promoting democracy, and it is formidable. We should note how well it functions in observing elections. It is now probably almost as good as the Office for Democratic Institutions and Human Rights, which I consider to be the jewel in the OSCE's crown and to represent the gold standard for election observation.

Malcolm Bruce: The right hon. Gentleman is making a good point, and he is right to mention those organisations, but, given the problem that we have with Russia, does he think it entirely helpful to the credibility of this country—and, indeed, to the Council of Europe—for an alliance of British Conservatives and Russian supporters or Putinites to operate as a single political unit in the Council's Parliamentary Assembly?

Mr. George: That is another three minutes of my speech gone, but I entirely endorse what the right hon. Gentleman has said, although I believe that those to whom he refers have at long last extricated themselves from the process. It should be pointed out that while it is not possible to pick and choose members in the OSCE, it is possible to do so in the Council of Europe Parliamentary Assembly. It can appoint and it can throw out—and if a country's human rights record is as bad as that of Russia, and getting worse, I feel that that country should be a suitable case for rustication.

Tony Baldry: Without descending to party politics, which could be discussed on another occasion, does the right hon. Gentleman agree that it is sensible that the Council of Europe has resolved to conduct a full investigation of the circumstances involving the recent war between Russia and Georgia before jumping to a conclusion, and has indicated in pretty clear terms that consequences will follow if a conclusion is reached that is adverse to either or both parties?

Mr. George: I am delighted. I hope that a Russian rapporteur is not involved. If I had the time, which I do not, I could list all Russia's failures—

John Bercow: Go on!

Mr. George: It is all there, it is all there. I could list all its failures—fraudulent elections, preventing candidates from contesting elections, what it has done to non-governmental organisations, the unfortunate disappearance of heads of NGOs and journalists and so forth, without even mentioning what it is doing in relation to foreign affairs and defence. I only hope that the declaration issued half an hour ago that Russia was, if not repenting—that would be the wrong word—reconsidering is correct. At this point in time, however, Russia is becoming rather more obstreperous, and we need to be more and more careful.

I have mentioned the important role of international organisations, but national Governments also have an important role. We know what is being done by the Department for International Development and the Foreign Office, and, in the United States, by the State Department and the United States Agency for International Development, but the same can be said of almost every country. I spent a good deal of time conducting a survey of 30 countries, 25 of which responded. I have just sent off a reminder to the others. I examined the way in which national Governments fund their own NGOs as well as international organisations such as the UN and the OSCE, and what international NGOs are doing. It is rather ironic that the United States, which has a rather low reputation at the moment, has such an incredible number of first-rate NGOs. We know of most of them, including the National Democratic Institute, the International Republican Institute, Freedom House, the Eurasia Foundation and the National Endowment for Democracy.

Let me issue a plea for excellent NGOs in democratisation and human rights that are desperately in need of funding. Oh yes, we fund them initially, but subsequently we rely on the private sector to do so. Some countries are hanging on to democracy by their fingertips. Civil society and NGOs are the essential link between foreign countries that seek a greater expansion of democracy. In whatever capacity I can do so, I plead with our own Government to fund more and better organisations. That does not just mean giving four million quid to the Westminster Foundation, chaired by my hon. Friend the Member for City of York (Hugh Bayley), excellent though that organisation is; there is more to be done, even by the Foreign Office and DFID, to help to sustain countries that seek to be democratic.

Mr. Mark Oaten (Winchester) (LD): The right hon. Gentleman lists organisations that are doing great work in promoting democracy. Perhaps he will say a word about the Inter-Parliamentary Union and the Commonwealth Parliamentary Association, two organisations that do a great deal to try to help in this context.

Mr. George: I can only apologise on the grounds that I am writing a book on the subject, which will include a chapter on what Parliaments and inter-parliamentary assemblies are doing. I agree that what the IPU and the CPA are doing is truly extraordinary. Members of a delegation from Botswana who are in the House today are guests of the CPA. The whole network of international organisations, national Governments and Parliaments, NGOs, universities and individuals plays an enormous role in establishing and sustaining democratisation.

In the final three or four minutes of my speech, I wish to raise an issue that causes me great concern. I have headed 18 short-term missions to observe elections—for instance, the sequence of rose revolution elections in Georgia and orange revolution elections in Ukraine. The Russians are convinced that I am an employee of the CIA, MI5 or MI6. What they cannot recognise is that their mates in those countries ran totally corrupt elections. It was not only that we declared that those elections failed to meet international standards; our findings merely verified what the populations were thinking. We did not deliberately spark something. We were not there to create a peaceful revolution. It was people in those countries who said "Enough is enough. Thank you for confirming what we already know—that our Government are a bunch of crooks who are cheating at elections."

Election observation is a vital element of the promotion and sustenance of democracy. There are so many wonderful organisations, domestic and otherwise. Some of the best that I have seen are in developing countries such as Kenya. I am on the board of one in Kazakhstan. We must pay tribute to the countries that are sustaining democracy through election observation and democracy projects albeit that they are not natural democracies. My great anxiety is that election observation by ODIHR is under considerable threat. It is hard enough observing elections and producing, hopefully, correct reports based on evidence, but there are two hurdles, obstacles or mountains that ODIHR must surmount.

There is, for example, the opposition of Russia, which does not wish ODIHR to go there and, inevitably, say "These elections fall well short of international standards." Russia and the other "great democracies" in the Commonwealth of Independent States such as Uzbekistan and Belarus are ganging up on ODIHR. They are trying hard, throughout the OSCE, to get ODIHR busted or, worse, reduced to the standards in the CIS. That would be the end of legitimate, intelligent, professional election observation. If anyone has the stomach to read some of the things I have written on the matter, I would be delighted if they wrote to me.

We would expect the Russians to do that. We would not expect a fellow OSCE institution, the OSCE Parliamentary Assembly, to collude with the Russians in order deeply to damage ODIHR, which, as I said, is the jewel in the crown of the OSCE system and the gold standard of election observation. A part of the OSCE system wishes to supplant ODIHR as the principle election monitoring organisation, or, if that is not possible, to set itself up as an independent election observation body. I have the evidence. A lot of brown envelopes are heading my way on what it is doing.

I hope that this debate will have an impact on the Foreign Office and on DFID, which obviously had a part in instigating it, and that hon. Members will say, "You are doing a good job, but there is a lot more to be done." I congratulate the Electoral Commission, which is doing a very good job not only in following what is going on internationally but in helping to ensure, with those in government and Parliament who are on the same wavelength, that we put our own house in order.

There is nothing more embarrassing to me than going to countries such as Kazakhstan and Russia as an international observer, giving a beating around the head to countries that held fraudulent elections and then having, at conferences where I have spoken, my own words thrown back at me. For example, people have said, "I understand what you are saying, Mr. George, but why don't you allow domestic or international observers to observe your own elections?" That is a legitimate point and it is irrefutable. Thankfully, legislation has amended that, and I hope that planeloads of Belarusians and Kazakhs will head to our elections when they are held, just to show that, even though we may be prepared to advise them about their elections, we at long last have put our own house in order.

Daniel Kawczynski: The right hon. Gentleman mentions the Electoral Commission. I join him in congratulating the commission on its work, but it has expressed publicly its frustration at its lack of teeth in forcing the Government to implement certain of its recommendations. Does he agree that more powers need to be given to the commission to force those changes through?

Mr. George: I think so. The organisation has been going now for eight or nine years. I wish that I had applied to be head of it. It is a part-time job with a salary of £150,000. By God, I would have been out of here in a flash, but I would probably be tainted by my political views. It is an excellent organisation, but it is going to undergo substantial change. A report has been written by another organisation. I hope that it will be subjected to the same scrutiny as it gave the Electoral Commission, which does a great job but has to remind us constantly that corruption is a problem—albeit not a major one—and that the major problem we, the United States and almost every democracy face is raising money to fight elections. I was going to mention Iceland, but it does not have any money any more—it had most of ours. The sad thing is that, in whichever country we are talking about, legislation is passed, only for it to be ignored.

Mrs. Moon: Does my right hon. Friend accept that one can monitor an election and find it to be fair or reasonably fair, but that unless the people who are elected have the skills to promote democracy and human rights, voice their opposition and know how to use the system to promote the human rights issues that we would like to be taken forward, it does not work? A group of women parliamentarians from the Labour Benches went to Pakistan, where we met groups of women who were elected to their local councils. They were told by the men, "You have been elected but now you do not have to do anything. You can stay at home, or you have to do what we tell you." DFID has invested in training for those women, which will help to promote that democracy.

Mr. George: I agree, as a converted male chauvinist pig. Having been beaten around the head for 25 years, I have succumbed to the pressures. The role of women in Parliament is undervalued. Including our illustrious official, there are four or five women in the Chamber, which is a low proportion. That is not enough. It is not good enough.

Some countries are amenable to influence, want NGOs and Governments to help and want embassies to fund democratisation programmes. They are prepared to allow George Soros and the National Endowment for Democracy to give them money. They are almost easy, until we say,

[Mr. Bruce George]

"Are you serious? Despite all the assistance we are giving, this Parliament is almost as supine as it was". At that point, perhaps we should put our money into countries that are listening and that do wish to democratise. There are difficult countries; we should not give up on them.

The index in DFID's annual report and in the Foreign Office annual report show that they are doing a very good job, but it is not enough. If only a fifth or sixth of countries in the world can be classified as democracies, we realise how many more resources we need to put in. I wonder what the effect will be. We know what happened to struggling democracies after the Wall street crash following the first world war, and what happened to them after the second world war. Many went under. If there is a cataclysm—I hope there will not be—I hope that it will not result in fascist, Nazi, extremist-type parties putting all the blame on democracies and sweeping them aside. That is one of the great anxieties, but I am pleased with what is being done. There is consensus between Government and Opposition, but we should refine our processes to ensure that we are more successful, because the work to be done is almost limitless and there is no scope for complacency.

6.18 pm

Jo Swinson (East Dunbartonshire) (LD): I too welcome the Minister to her new position. I look forward to our exchanges both here and in Westminster Hall, although I hope not to spend quite so much time with her as I did with her predecessor now that the European Union (Amendment) Act 2008 is on the statute book.

It is an important time to have this debate. As has been mentioned, this year, we celebrate the 60th anniversary of the universal declaration of human rights. The global values of equality, justice and the rule of law are as essential now as they were in 1948 when the horrors of world war two were fresh in people's memories.

Despite the strides forward that we seen over the past six years, the catalogue of human rights abuses that are going on across the world hangs like a badge of shame around the world community's neck. This will be, and has already been, a wide-ranging debate so it is impossible to cover everything, but first, picking up the point made by the right hon. Member for Walsall, South (Mr. George), I want to talk about the importance of promoting democracy and human rights within the UK. I also want to discuss the role of women within human rights and then talk about the position in various countries.

Like many hon. Members, I am a member of Amnesty International, and I find that when its magazine drops through the letter box every couple of months, I need to be in the right mindset and have a strong stomach to open the pages and to read what is inside. However, it is important that we do that, and do not turn a blind eye to the horrendous crimes that are being committed across the world. Not only is that daunting, but there are so many dreadful and appalling practices taking place in so many countries that it can be difficult for one individual to feel that they can make a difference—perhaps it is somewhat easier for us as Members of Parliament to feel that we can make part of a difference than it is for our constituents. However, it is important to remember the values of organisations such as Amnesty, who say that when people join together it is possible to achieve improvements in human rights, and also to remember the well-documented impact that the letters received by prisoners of conscience around the world have on their day-to-day ability to get up and continue going through their dreadful existence.

Obviously, if we in the UK are going to lecture on, promote or encourage democracy and human rights, we must first be careful to ensure that our own house is in order, otherwise we will lose any authority we have on the world stage on these issues. There is sometimes a danger of that, particularly when our liberties here at home are being eroded. I therefore very much welcome the fact that the UK was one of the first countries to undertake the United Nations Human Rights Council universal periodic review, and that it did so in a constructive way to try to act as a benchmark to encourage other countries to embrace it positively as well. The way in which the UK dealt with that was picked up. A variety of recommendations were made.

Reading through the report, I was interested by the fact that listed in brackets after the recommendations are the countries that suggested them. I particularly liked the one that suggested having a strategic body to tackle violence against women. I have raised that with the former Prime Minister and other Ministers on various occasions in the House, and the End Violence Against Women coalition is calling for that. Topically this week, another recommendation was that we should consider the legality of corporal punishment against children. Sadly, last week we did not have the opportunity to discuss the amendment to the relevant Bill, but I am sure that that subject will come up at a future date.

I was also interested in the recommendation that we should have strict time limits on pre-charge detention. Interestingly, that was suggested by Russia. When Russia is giving us good advice on human rights, it is time to worry. I wish to take the House back to 1 July 2004. At around the time when Robert Mugabe had extended detention without charge to 28 days in his Public Order and Security Act, the then Foreign Secretary said:

> "The Zimbabwean authorities also continue to devise new powers to stamp out legitimate opposition, such as detention for up to a month without trial, which could be used to suppress dissent and protest."—[*Official Report*, 1 July 2004; Vol. 423, c. 454.]

I think we should—*[Interruption.]* Yes, only a month. We should muse on that: there are countries that are not where we might want them to be on human rights, but we have been criticising them for doing things that we have later done ourselves. This subject is, of course, topical today, with the other place considering the issue of detention for 42 days. We will see what the result of the vote is, although there is a great deal of hope among some Members, certainly on the Liberal Democrat Benches, that that proposal will be turned down by the House of Lords—and if reports in the media are to be believed, that might be accepted by the Government.

I could go on, as there are a range of other issues on which I think we should be putting our own house in order. The ambitious ID cards database goes far beyond what any other country is doing. Given the confidence that the public have at present in databases and the protection of their liberties, that idea should be thought through again. There is also the DNA database: 3.4 million

people are on our database—a proportion five times greater than the proportion of the population on a DNA database in any other country in the world. That figure includes 25,000 children who have never been charged with any offence. The Government might want to learn from Scotland, where the DNA of innocent individuals cannot be held indefinitely.

Pete Wishart (Perth and North Perthshire) (SNP): As a fellow Scottish MP, the hon. Lady will know that one of the biggest democratic debacles we have witnessed in the past few years was the Scottish parliamentary election in 2007. Will she support the calls made only last week in the Scottish Parliament to have those elections repatriated to the Scottish Parliament so that we never get in such a mess again?

Jo Swinson: Absolutely. When the right hon. Member for Walsall, South was saying how wonderful the Electoral Commission was, I had last May's elections in Scotland in mind, which were not excellent, and I believe that one of the recommendations made in the aftermath of those elections that the Government should take up is the suggestion that it should be up to the Scottish Parliament to look after its own elections.

On democracy, it has been 18 months since this House discussed House of Lords reform and voted overwhelmingly for an all elected upper House, yet it has taken more than a year to get to White Paper stage, and the Government seem to be dragging their feet.

Therefore, although I will focus the rest of my remarks on human rights and democracy abroad, there is no room for complacency on these issues at home either, and if we were to assume that we had it all sussed, that could be perceived as arrogant, and be counter-productive in international negotiations on this topic.

Simon Hughes (North Southwark and Bermondsey) (LD): Before my hon. Friend moves on to discuss specific countries abroad, will she agree that one of the things we can do is build up the organisations based in the UK that allow a reciprocal exchange of best practice? The British Council does that, as do the World Service and the Westminster Foundation for Democracy. Many places are willing to exchange staff, young politicians of the future and Clerks from Parliaments, and they are not just new democracies, but countries that have become democracies and are still learning the ways but are very willing to share their experiences—countries such as Ukraine, which is going through difficult times, but which is clearly determined to get this right.

Jo Swinson: I agree with my hon. Friend. Through the exchange of individuals—whether parliamentarians or staff such as Clerks—we can all learn from each other. I am thinking now of the occasions when I have been abroad; I went to Sierra Leone with the Westminster Foundation for Democracy, and I hope I added value to that country and the parliamentarians I met there. I certainly came back from that experience with a much better understanding and much more knowledge about the situation there, which I have found useful since. Such exchanges are, therefore, valuable.

The role of women has not been much mentioned so far today. Far too often, women are forgotten when discussing human rights and democracy, even though many of the worst human rights abuses perpetrated are against women, and despite the fact that in situations of conflict it is often women and children who suffer the most. I am particularly concerned about the fact that women are often not involved in the resolution of conflict and the post-conflict rebuilding of countries. Earlier this year I visited Kosovo, and one of the people I met was Igballe Rovoga, the director of the Kosova Women's Network. Talking to her about her experiences after the conflict was illuminating. All the men were gathered into a room to discuss what to do next, and somebody from the UN came in and after a bit of nudging—from some people from Britain, I think—it was asked, "Hang on, we don't have any women here. What are we going to do?" Eventually Igballe and a couple of others were summoned along to be the token women in the discussions. In fact, they ended up being very influential as they prepared exactly what they were going to say and asked the questions that they wanted to ask. That is an example from within Europe, but this issue is often forgotten about.

Another anniversary is coming up on 31 October this year. On that date in 2000, UN Security Council resolution 1325 was passed, which requires parties in conflict to respect women's rights, and to support their participation in peace negotiations and post-conflict resolution. Sadly however, eight years later there are still almost no women at the top levels in peace-building and post-conflict reconstruction. I hope the Minister will consider what action the Government might be able to take to strengthen resolution 1325. Is a stronger resolution with more teeth required, and should we be arguing for that at the UN?

John Bercow: I am listening with interest and respect to the hon. Lady's speech. I very much welcome what she says about women's rights and involvement. Of course, we cannot change the world overnight, but on the principle that he who pays the piper calls the tune, surely we can exert some influence? Does the hon. Lady share my horror—which was certainly shared by the right hon. Member for Gordon (Malcolm Bruce)—that when the International Development Committee has visited some women's projects in a number of African countries over the past few years, we have been taken aback by the fact that the speeches have invariably been delivered by the men, while women, including highly qualified graduates and masters graduates, were left serving the tea? We were paying for those projects, so surely we can do something about that?

Jo Swinson: The hon. Gentleman makes a salient point, and I hope it will be taken up by those planning the visits and those running the projects. I am sure that the hon. Gentleman—and my right hon. Friend the Member for Gordon (Malcolm Bruce)—will not have let such experiences go unnoted at the time.

Malcolm Bruce: I concur with my hon. Friend's concerns on that matter. Does she accept our disappointment that in the past year, nearly all the women Ministers in Afghanistan have been removed from the Government? The only woman left in the Government is the Minister for women's affairs, which they did not feel would be appropriately done by a man. Is that not a regrettable indication that the commitment to resolution 1325 and to women is superficial in many countries?

Jo Swinson: I wholeheartedly endorse what my right hon. Friend says, and in fact I was about to talk about Afghanistan. The position of women under the Taliban was well documented. They had no access to education, they were treated like second-class citizens and there were draconian controls on their movement and freedoms. As an aside, I wholeheartedly recommend to the House "A Thousand Splendid Suns", a novel based on fact, which I read over the summer. It is about the position of women in Afghanistan and demonstrates how terrible the situation had become.

One might have expected the situation to be much improved since the fall of the Taliban. Some girls in Afghanistan do have access to education now, but the situation is still dire. I was intrigued by the list that the Minister read out towards the end of her speech, of individuals who have made a particular contribution to fighting for human rights. I have another to add to the list: Malalai Joya, who is the youngest member of the Afghan Parliament.

Malalai Joya was in London last Monday to be awarded the Anna Politkovskaya award for her courage and dedication in trying to protect human rights in her country. Afterwards, Malalai came to Westminster and I was fortunate enough to meet her and interview her for Women's Parliamentary Radio. Her bravery was inspirational, and the experience was humbling. What she faces on a day-to-day basis makes what we do as MPs in this country pale into insignificance. For the crime of speaking up and suggesting that crimes against women should be punished, that those who are now in positions of power but used to be warlords on the rampage, raping and killing, should be brought to justice, and that the Parliament is not being strong enough on the matter, she has been suspended from Parliament. Where is the freedom of speech in that?

When Malalai Joya was in Parliament, she had bottles thrown at her and abuse and death threats hurled at her. There have been four assassination attempts against her, and she has to sleep in a different house every night. She is continually at risk. Such individuals are a fabulous inspiration, but it is sad that there are not enough people such as her speaking up, and that it is still necessary to do so in a country in which we are investing so much. We ought to have more influence, so that we can prevent such things from happening. She showed me a video in which a 12-year-old girl who had been gang-raped was spoken to. Of course, the perpetrators had not been punished. That is not a one-off horrific situation, it is what happens day in, day out.

It is not just women who are suffering in Afghanistan. The whole country is on a knife edge, and if we fail to secure lasting peace and security there it will have major implications for our ability to promote democracy and human rights worldwide. There are well-documented claims that our military are overstretched by fighting on both fronts in Afghanistan and Iraq. Recently, the Iraqi Prime Minister has said that it is time for the UK troops to go, and I hope that the Government will do what Liberal Democrat Members have argued for for some time, and withdraw the troops from Iraq so that there can be more focus on Afghanistan. It is vital that we succeed in our objectives there.

Our experience in Iraq has been disastrous for our credibility in promoting democracy and human rights abroad. When I visited the UN earlier this year and spoke to various diplomats, the feeling was that it undermines what we are trying to do elsewhere. It is ironic in some ways that improving the humanitarian situation in Iraq was often quoted, albeit after the event, as one reason for our intervention there. The lack of planning for rebuilding the Iraqi state after the military action was entirely unforgivable. It was a great mistake, and it has been responsible for some of the appalling violations of human rights in Iraq since 2003. The figures speak volumes: since 2003, we have spent £6.6 billion in Iraq on the war and £125 million on humanitarian assistance. That shows where the priorities lie, and they need to change.

I have one further point on Iraq. It is nearly 18 months since five British men were seized at the Finance Ministry in Iraq and taken hostage. One can only begin to imagine the agony that their families have faced in the past year and a half, and I hope that the Minister can assure us that every effort is being made in the ongoing negotiations to secure the release of those men as soon as possible.

Simon Hughes: I wish to reinforce the fact that if we go to war without UN authority and pass laws to detain people without trial, we are prevented from going to countries such as Pakistan and Afghanistan and arguing that they must protect human rights. We have ceased to be credible, and what we do at home has a direct effect on our ability to influence such things in other countries.

Jo Swinson: My hon. Friend makes his point eloquently, and he is quite right.

I wish to mention a few other countries. We have heard about the difficulties over the summer involving Russia and Georgia, and there are wide-ranging implications for human rights not just in Georgia but in the other vulnerable states in the region. The deterioration of our relationship with Russia is a great cause for concern, and it will not necessarily be easy to rebuild it and put it right. A strong unified EU response is vital. The hon. Member for Aylesbury (Mr. Lidington) was right to call for strong EU pressure on Asian countries on the subject of Burma—a subject on which I echo many of his comments. We have seen the fabulous work of the hon. Member for Buckingham (John Bercow) in the all-party group on democracy in Burma. The dreadful situation there was particularly evident in the response to the natural disaster earlier this year.

The lack of democracy in China is well documented. I visited China earlier this year on a Select Committee trip, and in the entire trip we had two hours off to explore Beijing. I went to Tiananmen square and the forbidden garden and tried to engage my guide in a political discussion. I asked her what she thought about Chairman Mao, and it was like coming up against a wall. She had good English, so she understood the question, but she did not understand the concept that one might have an opinion about a political leader, and especially that it might be a critical opinion.

Mr. Crabb: On the subject of Tiananmen square, is the hon. Lady aware that someone using the Google internet site in China and typing in "Tiananmen square" gets very different results from someone doing the same here in the UK? What does she think that says about China's approach to controlling modern forms of communication and its commitment to freedom of communication and speech?

Jo Swinson: I think it says that China is determined to put huge resources into trying to control the internet. I understand that it has 50,000 individuals shutting down internet sites, but I do not believe that that will be sustainable in the long run. One of the wonders and joys of the internet is that it will be a great vehicle for improving democracy and showing people that things are different in the world outside, and that they, too, could and should have human rights.

I was on holiday this year in Cuba, where the situation is similar. A foreigner is allowed to use the internet, but its use is greatly restricted for locals. Even foreigners have internet rationing. Cuba does not have the same resources to block sites as China, but following some political news still proved slightly difficult. However, the internet will be a mechanism to promote freedom. China will try to restrict it, but it will be like trying to empty the Atlantic with a teaspoon, or whatever the correct analogy is. It will ultimately not be successful.

Mrs. Moon: Has the hon. Lady had the opportunity to read Mark Leonard's excellent book, "What Does China Think?", which demonstrates that there is huge debate across China? In fact, there are more think tanks considering different political methods and ways of moving the country forward politically than there are in this country. It can sometimes be simplistic to think that there is no debate taking place in China. It is just that the debate is not taking place in a form that we would understand.

Jo Swinson: The hon. Lady is right. Clearly, people in China have to be very careful about what they say and where they say it, but that does not necessarily mean that they are not thinking about these things. I am sure that Members will be interested to look at the book that she mentions. She has made a very good point.

I am sure that dismay is felt across the House at the events that we have seen take place in Zimbabwe over the weekend with Mugabe's power grab. There was that little chink of optimism with the signing of the agreement on 15 September, but it is beginning to look like nothing more than a delaying tactic on Mugabe's part. Last Tuesday, during Foreign and Commonwealth Office questions, the Foreign Secretary said:

> "Mr. Tsvangirai is ready to work with Mr. Mugabe on the distribution of Cabinet portfolios, and that is the key test now."—[*Official Report*, 7 October 2008; Vol. 480, c. 128.]

Clearly, Mugabe has failed that test. I hope that the Minister will say in summing up what action the Government are taking to increase the international pressure on him to reverse this weekend's power grab, and whether they still believe that the current system is sustainable in trying to get the result that we want, or whether we will have to bring in a new mediator to achieve any progress.

We also need some consistency from the Government on Zimbabwe. The Foreign Office has been very good at urging the promotion of human rights, at trying to stop the torture and bloodshed and in condemning the actions of Mugabe, and I am sure that they have been pursuing all the diplomatic channels to try to get movement in that country. However, at the same time the Home Office is having legal arguments to try to send back asylum seekers who are fleeing the very torture that the Foreign Office is condemning, and some failed refugees have been in detention centres in this country for two years. Is that really the kind of human rights position that we want to promote? Is that really going to give us the moral authority to criticise Zimbabwe's attitude to human rights? How can the Government possibly have a clear conscience in this matter? Surely Zimbabweans here must be allowed to work to support themselves while this situation persists.

The United States of America proves that democracy is no guarantee of human rights. I welcome the Minister's strong condemnation of water-boarding—one of the torture methods apparently sanctioned by the US. Not only is that country condoning torture, but it uses the death penalty, including on some young men and women, and it has the illegal and immoral stain of Guantanamo Bay on its conscience. The Government did finally secure the release of the UK citizens, although I note that one UK resident is still up for one of these military commissions, or kangaroo courts, which certainly does not conform to the standards of justice that we would hope for and expect. It took the Government far too long to act on Guantanamo, and that was shocking. I remember Ministers referring to it as an anomaly, refusing to condemn it or to say that it should be closed. We always welcome a sinner who repents, but it took too long. I suppose that it is some cause for optimism that both candidates for the US presidency have talked about closing Guantanamo Bay. It must be the top priority for the next US President if that person is to have any moral authority on democracy and human rights on the world stage.

Before I conclude, I should like to apologise to the House. A prior commitment clashes with this debate, and because the debate was delayed because of the earlier statement, I will not be able to stay to hear the next two speakers. However, I intend to come back as soon as I can to hear the rest of the debate.

Effective international institutions are of course very important to the aim of improving human rights—through the EU, the UN, NATO, the Council of Europe, the Commonwealth and beyond. Closer co-operation across Government with our foreign counterparts is crucial to the security of this country. It is important that respect for human rights and the liberty of the individual is not undermined in the name of security. The UK must play a role on the international stage to promote human rights and encourage democracy. The challenges are huge, and sadly, the UK's position has been undermined by our actions in Iraq. None the less, we must redouble our efforts, and I hope that the mooted supposed Government U-turn on 42 days that may come shortly is a sign that they, too, are keen to safeguard human rights in the UK. That would indeed be a step in the right direction to give us back the authority to be a positive influence for democracy and human rights in the rest of the world.

6.44 pm

Mike Gapes (Ilford, South) (Lab/Co-op): I reiterate my welcome to my right hon. Friend the Member for Don Valley (Caroline Flint) and my hon. Friend the Member for Lincoln (Gillian Merron) to their positions on the Front Bench. I look forward to scrutinising their work closely through the Foreign Affairs Committee over the coming months and years.

[Mike Gapes]

I spent last week with the Committee at the United Nations in New York, and I want to share with the House some impressions that are pertinent to this debate. There seems to be a great expectation throughout the UN system—among the people who work in the UN full time, the permanent representatives of many countries and the non-governmental organisations—that, as has been mentioned, Guantanamo Bay will be closed, although there does not seem to be much discussion on the lines set out in a previous Foreign Affairs Committee report, about how we in the rest of the world can contribute to that closure. Some very dangerous people who are detained there will still have to be dealt with. It is easy glibly to say, "Shut the place". The decision also has to be taken on what to do with 100 to 150 hardened terrorists who are a great danger to many people.

We have expectations that the attitude of the United States will change, becoming more multilateral and less unilateral. Of course, we have already seen the malign influence, which has gone from the UN system, of the unlamented John Bolton. His successor, Zalmay Khalilzad, who was ambassador in Afghanistan and in Iraq, is doing a much better job in assuaging people's concerns. In his urbane style, he is able to act as an antidote to the provocative and inflammatory work of his predecessor. However, we should not exaggerate what will happen with the change of the US presidency. Whoever is the next President, the United States will still have nationai interests, global interests and economic interests. It is a little naïve to think that the personality of the President will lead to a change in the policies of a country in which there is a separation of powers, and where there will be, as result of the economic crisis that we face today, less of a focus on trying to intervene in democracy and human rights issues worldwide, and more of a focus on coping with the economic consequences of the financial catastrophe that has hit the US harder than the rest of the world. I fear that there may be protectionist pressures in the US. I fear that there may be moves toward inward-looking behaviour.

An interesting opinion poll was reported to a seminar that took place during the Democratic national convention in Denver a few weeks ago, which I had the privilege to attend. It showed that there has been a significant shift among American public opinion away from involvement in the rest of the world, and a greater shift among Democrat voters than among Republicans. We need to bear that in mind, because whether it is President Obama, as I hope it will be, or President McCain, there will be domestic pressures on them, which may mean that we have some uncomfortable responses to deal with. There will be demands on the rest of the world, as well as a more multilateralist approach.

John Bercow: The hon. Gentleman is right to introduce a note of hard-headed realism into the debate, and I can see the sense of what he says about what might happen under an Obama presidency. Does the hon. Gentleman not agree with me, however, that notwithstanding the pressure to support protectionism and those in America who benefit from it, what we really need to see if there is a President Obama is his assertion of his optimistic side and idealistic self? Most people do not get the chance to be President; if he gets there, he should pursue the noble goals, multilaterally and internationally, in which he believes.

Mike Gapes: There is a chance of that; all I am saying is that there will be other pressures on that presidency. If Mr. Obama appoints people such as Susan Rice, Tony Lake and others, some of whom served in the Clinton Administration and are well known in Europe, we can feel reasonably confident. Even a McCain presidency would be a significant improvement, in many respects, on what we had to deal with under President Bush. *[Interruption.]* My hon. Friend the Member for Stroud (Mr. Drew) says that that would not be difficult. I do not want to go into that; I want to discuss the future.

I wish to discuss a concern that has been touched on in the reference to the league of democracies. John McCain has surrounded himself with advisers, including Fred Kagan, who advocate a position of saying, in effect, that the United States, the European Union, Australia, New Zealand, Canada and Japan, and perhaps some other countries, should set themselves up outside the UN system and just go ahead as a kind of coalition of the willing on a grand scale. That is extremely dangerous, as such an approach would set back the cause of democracy. If the world's largest democracy, India, would not be part of that—I am sure that it would not be—and if the largest and most diverse country in democratic terms in Africa, South Africa, which, on paper, has the most pluralistic guarantees of human rights and civil liberties of any country in the world, was not part of it either, that would damage the call made so eloquently by Eleanor Roosevelt and the people of the United States when they played such a key role in establishing the United Nations system in the 1940s.

Mr. Oaten: On that point, would not an important step and at least the minimum we should expect from whoever becomes the next President of the USA be that that country signs up to the International Criminal Court?

Mike Gapes: I hope so. I think that there is considerable support in the Democratic party for that approach. I spoke at a seminar in Chicago in 2005, organised by the university of Chicago, for which some people were brought over from Europe to argue for the US to join the ICC; the university of Chicago is, of course, in Barack Obama's home city. There is a body of opinion for that view and I hope there will be US support for signing up to the ICC. However, in United States politics there remains a view of American exceptionalism, whereby the international rules do not apply to the United States, and we must recognise that we will still have to do a persuasion job to emphasise the importance of this matter. The American support for referring the Sudanese Government to the ICC over Darfur was an important sign, because the Security Council is needed to make such a reference and the move was not blocked. That was a positive sign, even under President Bush. So all is not lost, but we need to maintain the pressure on that issue.

Mr. David Drew (Stroud) (Lab/Co-op): Much as I would like to go down the route of discussing Sudan, because I have significant interest in that matter, I shall stick to talking about the ICC, about which there is a complete contradiction in American policy. The Americans have been implicitly supporting the ICC over the indictment of al-Bashir, but are not willing to see that they must sign up wholesale. It would not be difficult to improve

on the Bush Administration, but to be fair to the Americans, they have been quite good on their involvement in Africa. I am sure that my hon. Friend agrees that it would be a retrograde step if America were to pull back, became isolationist and lost its influence in Africa.

Mike Gapes: I do not think that that is possible; one thing that we discovered in last week's Security Council discussions was that 70 per cent. of its agenda is dominated by discussions of Africa. The issues discussed include: the crisis in Sudan; Somalia, which is a failed state, with terrible consequences for the region; Zimbabwe; the Congo; poverty; HIV/AIDS; and malaria. So many issues have an impact, particularly on sub-Saharan Africa. In addition, there is the question of what happens in north Africa and in the Arab world. Many African countries are Arab countries, and that has an enormous impact not only on potential migration resulting from climate change, but on radicalism, extremism and terrorism. There is a huge agenda, but there is also an irony in respect of the African countries, many of which have weak Governments and need the kind of excellent assistance that is given by the Westminster Foundation for Democracy. I pay tribute to my hon. Friend the Member for City of York (Hugh Bayley), who succeeded me as the chair of the board and is now passing on the baton to somebody else after three years. I know how hard he has worked to build up the Westminster Foundation for Democracy and make it such an effective organisation in a number of countries, and he will be missed.

John Bercow: Of course it is true to say that the United States has been good, in some respects, in denouncing violence in parts of Africa, but it has been conspicuously bad at fostering improved trade in Africa, notably, for example, in west Africa. Given that Benin, Burkina Faso, Mali and Chad depend for between 30 and 40 per cent. of their export earnings on cotton, but the US gives $3 billion to $4 billion a year to subsidise 25,000 extremely inefficient American cotton producers, on a scale of one to 10 what does the hon. Gentleman think are the chances of a new American president taking some account of extreme poverty in those African countries getting calculatedly worse as a result of current American policy?

Mike Gapes: I am tempted to refer the hon. Gentleman to Lord Mandelson of Hartlepool. [HON. MEMBERS: "And Foy."] And wherever.

There are lessons to be learned from the failure of the Doha round talks. I am thinking not only of the responsibility of the US lobbies. European agricultural producers—tobacco producers and others—have had a serious impact on many developing countries. One issue that we need to assess is the trade consequences, which are very important for the issues of human rights, democracy and governance. If we move to bilateral regional trading blocs, foreign assistance arrangements or treaty arrangements on a bilateral basis, many small countries—many of the poorest countries—which do not have resources and do not have something that bigger countries want, will get missed out in the process and will not get the protections and support that they need.

Although there is a certain amount of optimism in the UN, there are also some worries. In this cataclysmic week or month—or perhaps 17 months—there has been a recognition of something that we all knew was coming, although perhaps it is coming far more quickly than we thought. The economic power templates in the world are moving, but will political changes also result? China is already playing a much more engaged role in international institutions. In general, its role in the international community is a positive one, rather than a negative one.

Interestingly, China has not sided with Russia in all issues internationally over recent months and years. Even over Georgia recently, the Russians failed to get support through the Shanghai Cooperation Organisation on their position regarding the recognition of Abkhazia and South Ossetia. However, there are worries about what might develop out of the embryonic SCO. Some people see it as the precursor to an axis of sovereignty: a group of countries that oppose any concept of the internationalisation of domestic issues. Some people see it as a potential rival to NATO and a bloc that, in time, could become far more important than it is now. Only time will tell, but clearly there is a debate to be had about where the UN system goes and where the universalist values of the 1948 declaration of human rights go in the future.

A very interesting pamphlet has just been published by the European Council on Foreign Relations entitled, "A global force for human rights? An audit of European power at the UN". I recommend it, because it contains some interesting and pessimistic conclusions. It basically says that the European Union, over the last decade, has lost influence in the UN system and that our values—what the report calls liberal interventionist values—have been weakened. Reference has already been made to the Human Rights Council, but even in General Assembly votes and in the Security Council there has been a weakening of support for those values. Countries that the report describes as "swing states"—democracies such as South Africa and India—have sided with the authoritarians against the democrats on many issues, such as in the case of Burma. I hope that South Africa under its new temporary President and under the President elected next year will be truer to the democratic values of the liberation movement, the freedom charter and the constitution that they established and will bring in a much more engaged foreign policy rather than siding with those countries that are against intervention on foreign affairs.

Reference has been made to the Foreign Affairs Committee's report on human rights. This is not the occasion for a big debate on the subject—I hope that we can have such a debate with the Minister in Westminster Hall at some point—but I want to draw attention to some points. The first is the question of trade union rights. The matter has not yet been mentioned, but it is one reason why Colombia is the only country in Latin America to be highlighted in the Foreign Office's report on these issues. Our Committee is critical of the fact that although we give military aid and support to the counter-narcotics forces and human rights training to the Colombian armed forces, there seems to be an increase in the pressure on and deaths and intimidation of active trade unionists in that country.

President Uribe is one of our allies. He is a supposed partner of the United States and of this country, yet today I received a letter from somebody working for Thompsons, a solicitors firm that does a lot of work

[Mike Gapes]

with trade unionists, pointing out another list of individuals—I will not go through the names—whose lives have been threatened. The Colombian Government are not prepared to provide them with protection when they are engaged in their trade union activities. That is unacceptable and the Government should be doing far more, both collectively through the EU and individually, to raise the issues of human rights, trade union rights and the protection of the brave men and women in the trade unions in Colombia.

Finally, I want to say something about Russia and Georgia. My right hon. Friend the Member for Walsall, South (Mr. George) might not agree with what I am about to say, because he has had close, warm relations with the nascent democratic movement in Georgia. We need to be very careful that we do not just take the view, which seems to emanate from some people in the United States, that there are no issues in the conflict for which the Georgians should be criticised. Yes, the Russians have behaved deplorably—they overreacted massively and their recognition of Abkhazia and South Ossetia is totally wrong and unacceptable, and it cannot be agreed with or recognised—but Saakashvili, the President of Georgia, was reckless and irresponsible in August and he did what he did despite advice from the United States and from many other countries not to behave in such a way.

We need to be very clear that even though a country is a democracy, that does not mean that every action it takes will automatically be supported. The hon. Member for East Dunbartonshire (Jo Swinson) said that democracy is no guarantee of human rights, and she referred to the United States. That point also applies to Georgia. There was a worrying article in *The New York Times* last week about crackdowns on opposition to Saakashvili in Georgia. The point also applies in Sri Lanka. That island has a democratic Government, but the most appalling human rights abuses are also going on. Many are carried out by the Tamil Tigers, but many others are carried out by the Sri Lankan armed forces. At the same time, the United Arab Emirates is an example of a country that is not a democracy where there is the rule of law, a civil society and respect, within parameters. One of the two—democracy and human rights—does not necessarily lead to the other.

People such as President Bush who have the naive belief that if we get everywhere to have free and fair elections there will be no conflicts and no problems have a very dangerous world view. Unless the ethnic, tribal, religious and cultural differences in a society are resolved, and unless political structures and political space are created, even if there have been formal elections and changes of Government, the situation can end up like that in Georgia. Mr. Gamsakhurdia was followed by Mr. Shevardnadze, who was followed by Mr. Saakashvili, and none of them had total respect for the different minorities.

In Sri Lanka, a significant minority of people on the island feel discriminated against. Extremist groups feed on that and make the situation far worse. We need to be cautious when we talk about democracy and human rights. We need to be more sophisticated about it. One does not automatically follow the other. Human rights can exist in societies that are not necessarily entirely democratic, while there can be democracies that do not respect the human rights of either people in their society or of their neighbours.

Daniel Kawczynski: I am very disturbed that the hon. Gentleman, as Chairman of the Foreign Affairs Committee, has said that Georgia could in any way be culpable for what has happened. It is a tiny country trying to defend its sovereignty. Many European leaders went to Tbilisi to show solidarity with the leadership there, and I am astounded that he could be an apologist for the aggressive action of Russia.

Mike Gapes: I ask the hon. Gentleman to withdraw that comment as it is absolutely outrageous. I am not apologising for anybody. I am simply saying that the behaviour of the Georgian Government in August, when they were advised not to take the action that they did, played into the hands of Putin and allowed the pre-planned package of rapidly moving forces to annex those two areas in Georgia. We can go into the long history of the situation, but interestingly South Ossetia and Abkhazia had autonomy when the Soviet Union broke up. In 1991, the first President of Georgia, Gamsakhurdia, cancelled that autonomy. Since then, it has been a so-called frozen conflict. The Organisation for Security and Co-operation in Europe observers—some Russian, some Georgian—were there but made no real efforts to resolve the conflict, so it festered.

There are other frozen conflicts: Transnistria; the conflict between Nakichevan, Armenia and Azerbaijan; and, of course, Nagorno-Karabakh. Many conflicts, which could explode at any time, are consequences of the break-up of the former Soviet Union. We need to be aware of them, and as Europeans we need to be more active in doing something about them, especially as they border our continent or form part of it. The Russians need to be condemned and criticised and we ought not to pull our punches. If small countries decide to poke the bear and it lashes out, they should be told to be a little calmer, otherwise there will be consequences that are dangerous for the rest of the world and for the people in those countries.

We can have that discussion another time, but those of us in NATO and in the European Union should be cautious about taking simplistic positions and saying, "Once you're a democracy, you are automatically part of our family and regardless of what you do, or how you behave, there is an article 5 guarantee. We will sign up to defend you whatever you do." That is extremely dangerous and as Europeans on the western side of the continent we need to tell some of our fellow Europeans on the other side of the continent that although we understand their situation and are concerned about it, they should not behave in a short-sighted and dangerous way.

7.10 pm

Sir Malcolm Rifkind (Kensington and Chelsea) (Con): I very much agree with the final remarks of the hon. Member for Ilford, South (Mike Gapes), but when he deplores Russian recognition of the independence of South Ossetia and Abkhazia he should remember that the road to South Ossetia and Abkhazia began in Kosovo. There is a clear connection between those events, to which I shall return in a few moments.

May I say in what I hope is a non-partisan way that I think that there is a basic confusion at present in the Government's whole approach to the promotion of democracy and human rights? If there was one defining feature of the first 10 years of this Labour Government, especially under Tony Blair and the late Robin Cook, it was the belief not only that there should be ethical foreign policy but that there would be occasions—perhaps more than in the past—when the west had to show, not simply by soft power and diplomatic means, but by the use of military power, its willingness and determination to change the political situation in other countries: to use military power to intervene not simply to prevent aggression, but to advance human rights or ensure regime change.

That approach was very much associated with Tony Blair, but the point has been repeated by the current Foreign Secretary. He does not spend much time on it, but in some of his speeches he has emphasised the point that military intervention must be part of the Government's armoury as they seek to advance democracy and human rights. It was significant that the Minister for Europe, who opened the debate, said not a word about that. Indeed, even when I asked her views she had nothing to say of any significance as to whether that was the Government's position. I hope that we shall have a view about it.

I declare my position in a simple and straightforward fashion: I have always believed that almost without exception it is a gross and foolish mistake to intervene in a military way in the internal affairs of another state. I argue that case not on some theoretical ground of national sovereignty—it is often alleged that people who take the view that I take have an objection to breaching national sovereignty even when there is the most serious abuse of human rights. That is not my position. It is the position of the Russian Government and of the Chinese Government, but it is not my view, which is simple: almost without exception, intervention in the internal affairs of another country, using military might, creates more harm than good. It ends up creating more problems than it solves and people will live to regret that fact.

The issue is not about humanitarian intervention. When the Conservative Government were in power, I was responsible as Defence Secretary for the humanitarian intervention in Bosnia. We sent many thousands of British troops to help to provide food supplies and aid for people who would otherwise have starved. What we refused to do was intervene on one side or another, in a military sense, in the war being conducted at the time. We were criticised for that, but in light of the present Government's experience, both in Kosovo and in Bosnia, the arguments are profound.

Simon Hughes: I do not want to engage with the right hon. and learned Gentleman about the lessons of the '90s in southern Europe, but does he accept that whatever his view about military intervention there is no excuse for a country to deny an international agency of reputation the right and duty to be present and observe what is going on and report back? For example, I understand that the Sri Lankan Government still do not allow the UN into Sri Lanka so that there can be objective reports from international observers about what is happening on the ground.

Sir Malcolm Rifkind: I do not doubt that what the hon. Gentleman says is correct. I entirely agree, but I want to concentrate my comments on one specific aspect: the use of military power to deal with human rights abuse.

The two major areas where the British Government, the United States Government and a number of other countries have sought to implement such a policy are Iraq and Kosovo. The road to Baghdad began in Belgrade. Serious consequences arose from the situation in Kosovo that were never part of the Government's policy. They achieved two things by their intervention: they were able to take action that ultimately led to the downfall of Milosevic—indirectly—and they were able to reverse the ethnic cleansing of Kosovar Albanians. However, when we look at the whole picture we find that although the Kosovar Albanians were repatriated, the Kosovar Serbs were ethnically cleansed and to this day remain exiles from their country. The Government have made no significant attempt to draw attention to that fact, yet it is part of the overall balance in the consequences of their policy. The ethnic cleansing of a minority is no more or less reprehensible than the ethnic cleansing of a majority.

The Government choose to ignore the fact that it was never part of their policy to advocate the independence of Kosovo—quite the opposite. Not only the British Government but all western Governments, as well as NATO itself, made it clear that the purpose of the intervention—or rather the war; it was not an intervention—was to ensure that Kosovo achieved autonomy. They said that they were against independence because of the fragmentation of the Balkans and the terrible example it would set for other parts of the world, including the Caucasus. That idea has had to be dropped and it is no longer part of British policy or that of the west as a whole.

When the NATO bombing of Belgrade began, NATO expected it to be only for several days. It was not; the bombing lasted for almost two and a half months and, in essence, involved a war on Serbia fought from the air. I have no time for the Serb Government of Milosevic—that is not the point at issue—but when people start wars, they lead to consequences far different from those that were intended. Those consequences can be serious both domestically and geopolitically.

Mike Gapes: We are where we are, so given the history, does the right hon. and learned Gentleman agree that after eight or nine years of fruitless negotiation and the rejection of the Ahtisaari plan by the Government of Serbia, there was little alternative but to go ahead and try to create a situation whereby Kosovo could have investment from abroad and try to normalise its situation? Whatever the history, the reality is that Belgrade's writ could never run in Pristina. We have to deal with reality.

Sir Malcolm Rifkind: But the reality is that the human rights abuse in Kosovo, serious though it was, was no more serious than in many other parts of the world where we have not contemplated going to war. The reasons for military action in Kosovo had more to do with the role of NATO, and the importance of showing that it had a role, and with demonstrating western resolve than with the specific situation in Kosovo.

[Sir Malcolm Rifkind]

I shall explain briefly why I think it will almost always be the case that military intervention in the internal affairs of another country that has not attacked us will turn out to be disastrous. There are four reasons. First, when people go in, particularly with regime change in mind, they create a political vacuum. Once that happens, they cannot control what emerges. When we went into Iraq, it was no part of western, or coalition, policy that Shi'a and Sunni sectarianism would grow dramatically and become the dominant force in Iraqi politics, yet it should have been anticipated that if a political vacuum is created, the people of the country concerned will determine for themselves the political consequences that flow from it.

Secondly, intervention changes the political dynamic of the country that has been invaded. Until NATO took military action against Serbia, the vast majority of Kosovar Albanians, although they wanted independence, would have compromised on autonomy. They did not believe independence could be achieved, so they were willing to go for autonomy, which is what Rugova was arguing for and other Kosovar Albanians would have settled for at that stage. Once a group knows that NATO is on side, it has a historic opportunity that has never happened before and will probably never happen again. Every single Kosovar Albanian then said, "There is no question of autonomy or compromise; it is independence or nothing." That not only could have been predicted, but was predicted. However, it was ignored at the time, because it was inconvenient to do otherwise.

First, military intervention creates a political vacuum. Secondly, it changes the internal political dynamic. Thirdly, although we will win the conventional war—NATO will always win a conventional war, just as the coalition did in Iraq, and just as NATO did in Serbia—the consequence will be asymmetrical responses from those who know that they cannot beat the west or NATO in a conventional way. So it comes about that there are Shi'a and Sunni militias—and, in Afghanistan, the Taliban—operating in quite a different way from those taking part in conventional conflicts, but nevertheless making a mockery of what we set out to achieve.

Mr. Crabb: My right hon. and learned Friend is making a powerful and compelling speech. How would he regard our action and intervention in Sierra Leone? Would he regard it as an exception to his argument, or does it fit with the general principles that he outlines?

Sir Malcolm Rifkind: Sierra Leone was quite different; we were invited in by the Government of that country. It was a small, self-contained operation, and we went there with consent. We did not invade a country against the wishes of its Government. There is therefore a clear distinction.

John Bercow: I am extremely grateful to my right hon. and learned Friend for giving way. As always, he is making a highly compelling speech. Circumspection and an insistence on considering each case on a case-by-case basis is one thing, but a blanket rejection of military intervention in human rights crises is a quite different matter. How does he reconcile the position that he is commending to the House, to which I confess I am instinctively rather averse, with the United Nations proclamation on the responsibility to protect? Humanitarian intervention often requires military intervention, and indeed regime change, if we are to achieve anything.

Sir Malcolm Rifkind: I will come to that point, and will give my hon. Friend a direct answer in just a moment, if I may.

The fourth result of military intervention is, of course, the geopolitical consequences to which I referred in my opening comments. The independence of Kosovo, which was forced on the west against its wishes, unlocked a series of consequences. It has meant the fragmentation of parts of the Caucasus, and has led every small national minority in many states to believe that if it can only push us hard enough, it can create a further fragmentation of Europe and of the wider world. That has the serious consequences that we are now experiencing.

I now come to the point that my hon. Friend raised. Everything that I have said so far implies that one can somehow just ignore human rights abuses, however serious they are. I make one exception to my general principle, and that is in the case of real genocide. The word "genocide" has been used very widely. It has been used to talk about small massacres in towns, cities or villages, or against small numbers of people. Such events are terribly reprehensible, and I will come back to that issue. However, I entirely acknowledge, for a reason that I will explain, that if there is a genocide such as the holocaust, or such as that in Rwanda or Cambodia, in which a whole population is threatened with annihilation, of course the outside world cannot but intervene.

How do I rationalise that, given what I have just been saying? I do so in a very simple way. I have argued that whenever one intervenes militarily in the internal affairs of a state, one will create more harm than good. By definition, the one exception is genocide, because although military intervention will still create a political vacuum and change the political dynamic, and still lead to all sorts of consequences that were never intended, nothing can be as bad as the genocide that one has succeeded in stopping. In circumstances in which military intervention would prevent or stop a genocide—I mean genocide in its overall sense, not simply a massacre in a town or a village—the argument must point in the other direction.

That leaves the question: what does one do about lesser human rights abuses, in which people are persecuted and sometimes slaughtered? I refer to the Srebrenicas of this world—

John Bercow: Darfur.

Sir Malcolm Rifkind: And to Darfur, and so forth. In cases that my argument does not properly address, there is a spectrum of responses. Military intervention leading to regime change is at one end of the spectrum. There is a whole range of other options available. I do not just mean economic sanctions or diplomatic pressure, but options involving military means.

When I was in government, we imposed a no-fly zone on Iraq. We stopped Iraq persecuting the Kurds. We were able to stop it persecuting the Shi'a. Saddam Hussein had no control over his own airspace. He was emasculated as a power that could show aggression to its neighbours. However, we did not have to invade Iraq

to achieve that, and therefore we did not suffer all the terrible consequences that there have been in the past five years. There are options available, but there has been a lack of imagination on the part of the Bush Administration and, I must say, the British Government. There has been a belief that either there should be military intervention involving regime change, or soft power should be used. That quite ignores the spectrum of alternatives available, some of which may involve the use of our military assets.

In the past 20 or 25 years, there has been a huge increase in democracy in the world. It is rightly often mentioned as a matter in which we should take huge pleasure. There has been such an increase in Latin America, central and eastern Europe and many countries of the far east, and that is marvellous. It is significant that all those changes—all these red, orange and purple revolutions—have almost entirely taken place without external intervention, as a result of the determination of the peoples of those countries.

In his book, "The Audacity of Hope", Barack Obama says that:

"there are few examples in history in which the freedom that men and women crave is delivered through outside intervention. In almost every successful social movement of the last century, from Gandhi's campaign against British rule to the Solidarity movement in Poland to the anti-apartheid movement in South Africa, democracy was the result of a local awakening."

I am not arguing that the outside world cannot influence events; of course it can. I am arguing against the ridiculous concept of the Bush doctrine and of the Blair Chicago speech—repeated by our current Foreign Secretary, although not with the same emphasis—which says that military intervention is the way in which one achieves internal democratic change in certain countries.

Finally, there is another, highly relevant reason why such intervention will not work—why the Americans cannot, by themselves, create democracy in Iraq. It is a simple question of their staying power. Britain helped to create democracy in India because the Indians knew that we were going to stay there for a very long time. We were in India for 200 years. If one is somewhere for 200 years, of course one changes the culture of a country, affects its options and has a powerful impact on its political development. If, however, as was the case in Afghanistan or Iraq, from the moment we arrive, our objective, supported by public opinion, is to get out as quickly as possible, the domestic population of the country knows it perfectly well. It knows that it has to tolerate us while we are there, but it is only too anxious to see us go, and will then determine its own political destiny.

That is not an argument against human rights or democracy—far from it. It is simply to recognise that we are talking about matters that, rightly, will be determined by the populations of the countries concerned. With the single exception of cases in which there is genocide, I believe that military intervention will do more harm than good. The examples of Kosovo and Iraq are evidence of that. Our Government may in practice have given up such a policy, but they continue to pay lip service to it. I hope that they will recognise that that is not a sustainable position, and will reverse it as soon as possible.

7.28 pm

Dr. Tony Wright (Cannock Chase) (Lab): In a moment, I want to continue the argument and the conversation that the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind) began. He took the debate into interesting and difficult territory that forces us to examine some rather large issues.

Before I do that, let me say that one of the joys of a debate on democracy and human rights is that one can talk about almost anything one wants. I could not help but be struck by the headline of today's *The Times*; it was simply: "Banks nationalised". The idea that there would ever have been such a headline in *The Times* beggars belief. It immediately put me in mind of Sidney Webb's Fabian essays of 1889, in which he says:

"The inevitable outcome of Democracy"—

with a capital "D", by the way—

"is the control by the people themselves, not only of their own political organisation, but, through that, also of the main instruments of wealth production".

Of course, that was the belief of many in my political tradition: democracy was not simply a set of political arrangements but a way in which the people could discipline private power. Indeed, that was the governing class's fear of democracy, and why it was resisted so furiously for so long. The worry was about not just people having a vote but about what the vote would do, and what people would want to do, armed with the vote, to private economic power. It is a nice symmetry, therefore, that today the banks are being nationalised, and I shall return to that at the end of my contribution.

When we talk about democracy, we use the term without defining it. We use it as a shorthand for free electoral competition, free expression, the rule of law, respect for differences and for minorities, and so on. We often prefix it with words such as "liberal" or "pluralistic" to show that we do not believe simply in majoritarianism, because, as my hon. Friend the Member for Ilford, South (Mike Gapes), the Chairman of the Foreign Affairs Committee, suggested, it is possible to have majoritarian tyrannies. Human rights are properly attached to democracy as a qualifier, to show that we believe not in majoritarian tyrannies but in the kind of democracy that recognises that individual citizens possess rights that are to be protected, even against majorities.

That is why the link between democracy and human rights is important. It is a source of regret that in recent years the phrase "human rights" has begun to be used pejoratively by the *Daily Mail* and parts of the Conservative party. That profoundly damages the broader human rights cause, because it detaches us from a broad movement for human progress and the protection of individual freedoms. We must not allow such denunciation or criticism to enter our culture of human rights, and I hope that it no longer prevails.

I often think that there is a certain unreality to Foreign and Commonwealth Office Question Time. We tend to ask the Government to do things about places almost anywhere in the world. We have a roll call of places where things need to be done, and we ask Ministers what they are going to do. The realistic answer in almost all cases is, "There is nothing very much that we can do about those things on our own. All we can do is work with others to try to make some improvements."

[Dr. Tony Wright]

The mentality that we bring to proceedings, however, is that the gunboats are there, poised to be dispatched to whichever part of the world is causing difficulty. We need a dose of realism.

The right hon. and learned Member for Kensington and Chelsea gave us a dose of realism when he explained why intervention to do good almost always does harm, certainly if military means are used. He argued his case extremely powerfully, and I want to pursue it by briefly discussing two instances that have preoccupied the Commons in recent years: the Iraq adventure and Europe and the European treaty, which force us to think rather large thoughts about democracy and human rights.

I dissent somewhat from the right hon. and learned Gentleman, as I believe that the tragedy of Iraq is that it stopped us thinking creatively about the doctrine of liberal intervention, because it seemed absolutely to validate the proposition that he advanced. So catastrophic was the failure that it persuaded people that it was not even worth thinking about how we can sometimes intervene to do good, even by military means, and I say that as someone who did not vote for the Iraq war. I wanted to believe the arguments. I wanted the then Prime Minister to tell me that this campaign was directed against the world's worst tyrant, and that we were going to ensure a little instalment of freedom, but he was careful not to say that. He said that, in fact, it was consistent with international principles: the objective was not regime change, it had been validated by the United Nations, and so on, but none of that persuaded me. Nor was I persuaded, to use the right hon. and learned Gentleman's test, that it would do more good than harm. I thought that the warnings about the acceleration of terrorism were probably justifiable, and that we should do things only if there was a good chance of their succeeding.

John Bercow: The former Prime Minister grounded his case principally on the miscellany of Security Council resolutions on the one hand and on the supposedly imminent threat to our security through weapons of mass destruction on the other. May I nevertheless tell the hon. Gentleman that, even with the passage of time and all that has gone wrong—I am not sorry or ashamed to say this—some of us voted for the Iraq war overwhelmingly on human rights grounds? I was never convinced of the weapons of mass destruction thesis, but I thought that there was a case on human rights grounds and in the name of regime change for going to war.

Dr. Wright: We all wrestled with the arguments at that time. I wanted to believe them, and I would have signed up to a campaign simply to remove tyranny, because we had such an opportunity, and I thought, rightly or wrongly, that it would be worth doing. I was not persuaded, however, by the argument about its success, nor was I persuaded that it would not produce more terrorism, rather than diminish it. I was not persuaded, either, by the argument about the link between Iraq and previous terrorism. It was hard to sustain the argument, and I had doubts about the larger ideological prospectus attached to it.

Having said all that, I had huge respect for those who, like the hon. Member for Buckingham (John Bercow), supported the decision on the right grounds, and I wanted it to succeed. I take no pleasure from the fact that it has proved so awful.

I return to where I began: unlike the right hon. and learned Member for Kensington and Chelsea, I do not want to cite this with relish as vindication of the argument that international attempts to sort out monstrous regimes inevitably fail. He said that he was not defending a tradition of national sovereignty, but that was his argument. I do not think that tyrants can do what they want simply by citing the doctrine of sovereignty. It is sensible to consider whether any action will do more harm than good. That approach argues for caution in many circumstances, but that does not mean that the development of the doctrine of liberal or humanitarian intervention should be junked, although many people have readily wanted to draw that conclusion from Iraq. If we say that, it does no service to people in the world who need us on their side. Although it is difficult, tricky and contentious, we must work inside international organisations to make sure that they better equip themselves to do the things that we want them to do.

This debate has been full of frustration with international organisations and the dangers posed by people who want to bypass them and do things directly through a coalition of the willing. We do not want that, but we do want to try to transform those organisations so that they can do things more effectively when they need to be done. They should not simply stand aside, with us swapping frustrations as horror follows horror, and every tyrant knowing that they will be protected because the international order says that they will be. Our concern for democracy forces us to explore such huge issues further.

My next point is to do with my own area of contention—Europe and the recent European treaty. I want to relate that to democracy because of a paradox, about which we have to be open and through which we have to try to work our way: that, to be effective in the world, we have to be more effective than we can be on our own. We have to be effective players in the big international blocs, and the big international bloc in our part of the world is the European Union. On issue after issue, we are asked to be effective at EU level. That is the reality; it does not matter what the issue is.

The ideological essence of democracy is that we have to go where the power is. We have to follow the power with the democratic disciplines, but that is precisely what we have not done in relation to the international financial system. We have allowed a globalised financial system to happen—I was going to say that we had "created" it, but that is probably not the word—but we have not put in place global regulation of the system. Domestically, we have thought it crucial to discipline private power in that way, but globally we have not.

It is no good saying that it is all the fault of the rotten bankers, although it no doubt is. There has been a failure of democratic imagination and will on a scale that is difficult for us and involves establishing the international mechanisms necessary to control the new sites of power in the world. That is what democracy is about. Europe is one of the mechanisms for securing leverage on the wider sources of power, which is why we have to be part of it.

We have to go upwards, to European and other international levels, to control those forces, but the more we go upwards, the more people feel removed from the sources of power that affect their lives. To be real, democracy usually has to be near and accessible. The paradox is that for democracy to be what it has to be—the mechanism that disciplines power for us—we have to go upwards ever more. That makes it difficult for people, small people in a big world, to understand how they can get democratic leverage and control.

That is why those who say that we do not have to be effectively engaged at the European level, or have institutions and treaties that enable us to do that, are wrong. They are right, however, to reflect anxieties about how we control such mechanisms. We have not yet begun to do that in any effective way. That is the challenge.

Simon Hughes *rose—*

Dr. Wright: Does the hon. Gentleman want to intervene?

Simon Hughes *indicated assent.*

Dr. Wright: Of course I give way.

Simon Hughes: The hon. Gentleman was getting so carried away with his important point that the danger was that none of us could be spotted.

I agree with the hon. Gentleman absolutely. Some of us have supported the European Union because we realised that economic powers were international, money moved around and companies relocated, but that there was no political control so we needed a regional, continental level to exercise that. Is not the answer to the hon. Gentleman's paradox that one can do both? One can transfer upwards—give up power and share sovereignty at the continental, regional and international levels—and downwards, to the four countries of the United Kingdom and, within England, to the regions, and then down to the parish and community levels. Both transfers are possible, and both need urgently to happen.

Dr. Wright: The hon. Gentleman has taken my concluding peroration; I shall have to do a bogus one now. He has given the answer to the paradox: that democracy has to operate at many different levels and we have to get the democratic forms appropriate to those levels. People could then understand that democracy is near to them and in a form that they can control, but that, for some issues, it will require different forms of control.

If we want democracy to do what is necessary—discipline power—we need mechanisms that link the local neighbourhood council to the new international regulatory mechanisms. We have not begun to explain how the paradox works. When we debate Europe some people call for a referendum because they say that Europe is not very democratic and the people must be allowed to speak. My response is that although people might say that, a referendum on the European issue would be the worst thing to do, because we would not know what people were voting for and against. We would not know which bits of the Lisbon treaty people liked and which they did not like, nor what the consequences would be. We need, instead, to argue for the democratisation of different levels of power.

Daniel Kawczynski: Will the hon. Gentleman give way?

Dr. Wright: I am just ending; I shall not give way again.

Robin Cook, the late, great Labour Foreign Secretary, was right to enter Government saying that we wanted an ethical foreign policy, but along the way such foreign policies always hit realpolitik. The right hon. and learned Member for Kensington and Chelsea was the authentic voice of realpolitik: "Things always go wrong. Ambitions are always vain. Don't give me all this ethical foreign policy stuff."

Sir Malcolm Rifkind *indicated dissent.*

Dr. Wright: The right hon. and learned Gentleman did not actually say that; I withdraw the last bit, because he did not mean that.

I would argue for ethical realpolitik. Yes, of course we have to be sensible and know that sometimes things go wrong. Of course we must not be reckless. However, we should not give up on the ethics, either. We have unfinished democratic business at home—and unfinished democratic business internationally, too.

7.47 pm

John Mason (Glasgow, East) (SNP): I should start by saying that I wholeheartedly agree with a lot of what the hon. Member for Cannock Chase (Dr. Wright) has just said in favour of democracy, so I shall delete that part from my speech.

It is a tremendous privilege to stand before the House today and have the opportunity to speak. I am only too well aware of the history of this place and of the number of highly respected Members who have represented my own beloved city of Glasgow and constituencies round about: some of them are here today. I thank the many Members who have warmly welcomed me to the House, and particularly Mr. Speaker for his help during the two months before I was sworn in; it is good to have a neighbouring Glasgow Member in such a key position. I was particularly keen to take part in this debate on democracy and human rights, but first I would like to make some opening remarks, as I believe is the custom.

The people of Glasgow, East elected me to send a message to the Prime Minister and now I am here to deliver it. That message is clear and simple: it is time for action to help hard-pressed households who, given soaring food and fuel bills, are struggling to make ends meet. During the by-election, Scottish National party pressure forced a U-turn on the 2p rise in road fuel duty. People are struggling to make ends meet, and an SNP success in Glenrothes would force more action over soaring household bills.

The swing that elected me to what was Labour's third safest seat shows that Labour's days of taking Scotland for granted are over. It is clear that people have had enough of the party's broken promises, and want a change for the better.

Less than four short months ago, I was happily taking part in debates in Glasgow city chambers, with the outlook of a quiet July and a holiday in prospect. However, as has been said,

"The best laid schemes o' mice an' men

Gang aft agley."

[John Mason]

We think that we have the future of ourselves, our economy and our country safely planned out, but events take a turn and we find ourselves not where we expected to be.

As I reflect on the past in this place, I particularly wish to mention my immediate predecessor, David Marshall. Although I had been a councillor in Glasgow for some 10 years, it was only when he became the Member for the newly created constituency of Glasgow, East in 2005 that our paths began to cross. I must say that in all my dealings with David Marshall I always found him to be helpful and courteous to me and to others, and I know that that was the experience of many who met him. Since my election, a number of constituents have approached me about a problem that David Marshall had been dealing with and asked me to take it up as well. I am more than happy to do that, particularly in the case of several asylum seekers whom David Marshall was helping and I seek to help as well.

Despite what is reputed to be the robust nature of Glasgow politics, many of the concerns of the two main parties there—the Scottish National party and Labour—are shared concerns. For example, in his maiden speech in June 1979, David Marshall referred to the poor state of many school buildings in the city. Twenty-nine years later, I am very much at one with him on that. He clearly believed that all children everywhere deserve a decent education in decent buildings, and I want to follow his example on that point. Just the other day, I received a letter from David Marshall wishing me well. That says a lot about him as a man. I am sure that the House would want to join me in wishing him a swift recovery from illness and a long and fulfilling retirement.

I understand that it is also customary on these occasions to mention one's constituency, and I would like to make a few points. I assume that a number of Members visited Glasgow, East in July—although I realise that some could not make it—and were able to see for themselves the success and the problems. It is certainly not an area of uniform devastation, as some have had us believe—in fact, it is a very mixed area, like so many others. Old heavy industry has largely gone, with some new manufacturing and service industries in its place, but still one sees the wide open spaces where the factories used to stand. We have to do something about that.

Much of the '50s and '60s housing has been refurbished or demolished, with new and better housing in its place. The Scottish Government are providing grant for new house building, which is very welcome, as are restrictions on the right to buy. However, our Government's powers are limited. We need to do something about that.

Some old schools have been combined and replaced with excellent modern facilities. However, there are still many popular schools with good educational attainment, despite the fact that inspector's report says that the buildings themselves are very poor. All that I hear from head teachers and their staff is that a modern building is a huge morale booster for teachers and pupils. Labour-controlled Glasgow city council has let the schools down for decades. We need to do something about that.

We look forward to the Commonwealth games coming to Glasgow, particularly to the east end, in 2014. Glasgow has done well in having many of the facilities in place already. It is encouraging that the Scottish Government and the city council, despite being of different political persuasions, are willing to work so closely together in having everything in place for the games. It would be even better if lottery funding could be released to fund a lasting legacy, as has happened with many similar events in England. However, I constantly hear complaints from youngsters about the lack of local affordable facilities, which they feel are too far away or too expensive. We need to do something about that.

In preparing this speech, I was encouraged to read some of those made by Members in the past. I was struck that in at least two I found concern about one of the main issues that concerns me today—the widening gap in our society between the rich and the poor. As I listened to Prime Minister's Questions last week, I noted the suggestion that things started to go seriously wrong in 1979. I will leave it to others to judge whether that is the case, but it seems to me that since that date some in our society have done incredibly well and some have done extremely badly, and that that trend has continued almost seamlessly no matter which party has been in power.

One maiden speech that I read referred to

> "a Budget which took from the needy to give to the greedy and which made the rich richer and the poor poorer."—[*Official Report*, 14 June 1979; Vol. 968, c. 699.]

That was from David Marshall in 1979. This is from another maiden speech:

> "This is all because the Government's philosophy is that the rich must get richer by way of tax cuts and that the poor must become poorer to ensure true prosperity."—[*Official Report*, 27 July 1983; Vol. 46, c. 1241.]

That was from the then Member for Dunfermline, East in 1983. Both statements are criticisms with which I wholeheartedly agree. When a new measure is brought to this house by whatever Government in the coming years, that is the measure against which I will judge them. I will ask myself, "Does this measure narrow or widen the gap between rich and poor?" We are clearly in difficult economic times in this country and throughout the world. Yes, there may be a need for belt tightening by many of us, but if that does happen, it must be those who have least who tighten their belts least and those who have most who tighten their belts most.

Let me turn to the subject of the debate: democracy and human rights. I am the most recently elected member of this House, so I have been most recently subjected to the democratic process. I would not go so far as to say that that gives me the strongest mandate of any politician in Scotland, but it does say something about how people in Scotland are thinking at this time. A growing number of voters in Glasgow, East support independence, and, despite scaremongering in some quarters, they are not afraid to vote for the party of independence. For too long, Unionist parties have sought to instil fear in the people of Scotland if they dared even to think of independence, but those scare tactics work only for so long because people eventually see through them. In this by-election, many people broke with family tradition when they voted. No longer are the people of Glasgow, East looking backwards—rather, they are looking forward in hope.

The two countries where I have lived most to date have been Scotland and Nepal; whether England will overtake Nepal remains to be seen. In the 1980s, Nepal

had a ruling monarch with elected representatives, but the latter had little power. Political parties were not even allowed, so every candidate was an independent—allegedly. However, party tensions still lay below the surface. I remember sitting in my flat in Kathmandu during an election when a random stone came flying through the window. Human rights there were clearly limited, not least in the religious field. It was against the law to change one's religion, and baptisms of new believers were generally carried out secretly at night. The most open I was able to be about my faith was at Christmas, when outdoor carol singing was allowed. However, I was still nervous that every time we went round a corner the police would be standing there. Clearly, other countries around the world have even less democracy and fewer human rights than Nepal. I am glad to say that the situation in Nepal has greatly improved over recent years, although that country still has its fair share of problems.

In Scotland we have a variety of voting systems for each of the four main levels of representation: Europe, Westminster, the national Government and local councils. While most of that will be familiar to Members here, it is the relatively new local council system that I want to bring to their attention and commend to them. It is a system of proportional representation by single transferable vote. It has been relatively well understood by the electorate, with very few spoiled papers. It is already used by some trade unions and pensions funds. It combines an emphasis on the individual candidate and on the political party—a balance that no other system is able to achieve. I want to commend the two parties in the previous Scottish coalition for combining to introduce that excellent system in my country. I hope that it can be extended elsewhere.

In conclusion, I thank you, Mr. Deputy Speaker, for your forbearance and Members of all parties for their warm welcome.

7.58 pm

Hugh Bayley (City of York) (Lab): I welcome the hon. Member for Glasgow, East (John Mason) to this House. He has made an accomplished maiden speech, and I know that we will be hearing a great deal from him over the weeks and months to come. I wish him well during his time in this House. Many hon. Members on both sides of the House will appreciate what he said about his predecessor, David Marshall. I was on the Commonwealth Parliamentary Association UK branch executive committee when David Marshall was its chairman, and I saw the passion and diligence with which he pursued Commonwealth interests and foreign policy concerns through the association.

I can tell the hon. Gentleman that, like many Members of my party, I paid a visit to Glasgow, East in July. I travelled by the National Express east coast rail service. National Express is an English company, with headquarters in my constituency, the City of York, and its services benefit both the Scottish economy and the English economy. In fact, it is one of those institutions that shows the interdependence of Scotland and England, and the benefits that links between those two parts of the United Kingdom bring to people in Scotland and in England.

In Glasgow, East I knocked on doors, I spoke to many constituents and I did all that I could legally, decently and honestly to prevent the hon. Gentleman from being elected, and I failed—but he should not think that I fail in every political challenge that I take on. I warmly congratulate him on his victory. Perhaps the fact that his party can mount a challenge and capture a Labour seat that was seen as so safe before the election is a compelling illustration of the vibrancy and the fundamental strength of democracy in this country. There cannot be a multi-party democracy without opposition parties. Opposition parties can be a big headache for a ruling party, but it would be a far bigger headache if we did not have viable opposition parties in this country.

The right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind) has now slipped out of the Chamber, but his speech raised the tone of the debate. I know that at this time of night, gastric pressures make people flee from the Chamber—they are affecting me, too. I wish that the right hon. and learned Gentleman were still in his place, but I hope that he will see how Members have responded to what he said. It is difficult to disagree with his conclusion on Iraq—that military intervention has done more harm than good. However, I would say to him something that the Select Committee on International Development said to the Government before the war, which was that at least as much attention ought to be paid to the task of post-war reconstruction as was paid to the task of the military campaign. The real catastrophe in Iraq has been a catastrophe of political mistakes being made in the post-war situation.

The convincing case that the right hon. and learned Gentleman made on Iraq does not, however, ring true when we go from the particular to the general. The arguments that he made on the Balkans ignore the harm that was caused by non-intervention. When he was Secretary of State for Defence, I remember going with a cross-party group of Members to NATO headquarters in Brussels to talk to people about whether there was a military response that could be made to the genocide—and I use that word, which he used in his speech—in Srebrenica and elsewhere in Bosnia. A string of ambassadors, directors and officials told us that it was difficult to intervene militarily, that the Serbs were tough fighters who held down eight German divisions in the second world war, that it was difficult mountainous country and that there was not much we could do in military terms.

We were about to leave at the end of the day when a message came from Field Marshal Richard Vincent, who was the chairman of NATO's military committee at the time. He asked us to speak to him, and he told us a very different story. He obviously was not speaking on behalf of any Government, and he made the point that he had a NATO role at that time, not a role as a British Army officer. He said that sooner or later, Europe was going to have to take military action to stop what Serbs were doing in the former Yugoslavia, and that the longer we waited, the more battle-hardened and effective Serb regular and paramilitary troops would be. He told us a story: as a boy, he had been taken by his father to see the miracle of a Prime Minister flying back to Britain by aeroplane. He saw Chamberlain come off that aeroplane and wave that piece of paper, and he said that that was appeasement then, and he believed that

[Hugh Bayley]

not intervening militarily in Bosnia was appeasement too. *[Interruption.]* I see that I have got my marching orders from the Whip.

On Kosovo too, the right hon. and learned Gentleman said that there was no genocide so we should not have intervened. At the time of military intervention, the majority of the Kosovar Albanian population had been driven out of their country, across the border into neighbouring countries. It was an unstable position, and I believe that non-intervention would have done more harm than good.

As my hon. Friend the Member for Cannock Chase (Dr. Wright) said, people sometimes use the terms "democracy" and "human rights" almost as if they are interchangeable. The ideas are related, of course. Both concepts require rulers to cede power to the people. They both imply the accountability of those with power to a broader constituency, but they are not the same thing. It is possible to have some human rights, such as habeas corpus or the right to a fair trial, without living in a democracy, but democracy cannot exist without human rights. That is why the Council of Europe requires countries to meet human rights requirements before they can join. I believe that the Foreign Secretary is right to make democracy one of the key goals of British foreign policy, but promoting democracy internationally is not easy, and I believe that distinguishing between human rights and democracy helps to highlight how Governments can promote democracy effectively.

Western support for democracy has been tainted by the military interventions in Iraq, certainly, and in Afghanistan, to some extent. They make it clear that democracy cannot be imposed from outside. Democracy is a collective concept—without a thirst for democracy from the people, it cannot grow. It certainly cannot be imposed by military force. The best the military can do is to create conditions that allow security and the rule of law to flourish—in other words, to create human rights conditions that permit democracy to grow if there is a public thirst for it. Human rights are a precondition for democracy.

For the past three years, I have had the great privilege of chairing the Westminster Foundation for Democracy. It was created when the Berlin wall fell, and over the years it has done extremely important work to support democrats, reformers and democratic political parties in the countries of central and eastern Europe when they were breaking free from Soviet control. It has done similar work in other parts of the world, such as Africa and the middle east. In the early years of this decade, it lost its way. My hon. Friend the Member for Ilford, South (Mike Gapes), who was my predecessor, began to rebuild the organisation.

WFD is a Foreign Office sponsored, non-departmental public body. Shortly before I was appointed to the foundation's board, the Foreign Office commissioned an independent review of the organisation from River Path Associates. The review was highly critical. It proposed a number of options, including winding up the foundation, scaling down its operations or transferring its funding responsibilities from the Foreign Office to Parliament. Some of those criticisms were completely unreasonable, but there were some problems in the organisation, and I told the then Foreign Secretary, my right hon. Friend the Member for Blackburn (Mr. Straw), that I was prepared to take on the appointment in order to lead a process of reform and renewal, but that if the Foreign Office wanted to close the organisation down, it should go ahead.

I was appointed on the basis of leading a process of reform in the organisation. The Foreign Office kept its side of the bargain, and I believe that WFD has kept its part of the deal and has emerged as a stronger, more relevant and more effective organisation. I should like to thank my fellow governors and members of the board—I see one in his place tonight, the hon. Member for Ludlow (Mr. Dunne)—and the chief executive and the staff of the foundation. I should also like to thank the staff of the political parties who implement the party-to-party foundation programmes, and the Foreign Office officials and Ministers who have supported the foundation during the three years for which I have been in the chair.

During those three years, we have put through quite a number of reforms. We have concentrated the foundation's resources so that it now has greater impact in fewer countries and fewer specialised fields of work. We have moved the foundation's focus from being a London-based grant giver funding one-off projects to being a manager of sustained programmes of work over several years. That has led us to move some of our permanent staff from working in London to working in the field. We have reduced the percentage of the budget being spent on administration, and taken the difficult decision to make some senior management posts redundant. We have also increased our overall funding without increasing administration—

Pete Wishart: Will the hon. Gentleman give way?

Hugh Bayley: I am terribly short of time, because I believe that there is to be a ministerial statement soon. If the hon. Gentleman will forgive me, I need to make some progress.

The foundation has written a new corporate strategy, which identifies three particular strengths or niche markets for the foundation: political party development, parliamentary capacity building and local governance. We have agreed a business plan to pursue those specialisms, and to increase the organisation's turnover and budget. We have sought to build alliances with other bodies based at Westminster and elsewhere in this country that also have an interest in democracy building. They include the National Audit Office, the UK branch of the Commonwealth Parliamentary Association, the British section of the Inter-Parliamentary Union, the Clerk's Department's Overseas Office, the House of Commons Library, the International Bar Association, the Reuters Foundation, certain universities, the Scottish Parliament and the Welsh and Northern Ireland Assemblies. We have brought many of those organisations together to create a Westminster consortium.

We have also managed to broaden the foundation's funding base. We continue to receive grant in aid worth £4.1 million a year from the Foreign Office, but in addition, we have won tranches of money from the Foreign Office for programmes of work in other countries, including Ukraine, Egypt, Serbia and Macedonia, and from the Department for International Development for work in Sierra Leone. Recently, as part of the

Westminster consortium, we won a £5 million contract from DFID for parliamentary capacity building in Uganda, Mozambique, Lebanon, Yemen, Ukraine and Georgia, and we are currently negotiating what I hope will be a $15 million to $20 million contract with the United Nations Development Programme for parliamentary capacity building work in Ethiopia.

During the past three years, the WFD has refocused its priorities and activities, and broadened its funding base. Over the next three years, the priority will be to deliver measurable impact—strengthening citizens' rights and democratic institutions—in the broader range of programmes that we have been commissioned to undertake, in order to strengthen the foundation's reputation and to enable it to continue to win contracts.

Sadly, I do not have time to say a great deal about the foundation's work, but I believe that it makes a huge difference. For example, DFID commissioned the foundation to do nine months' work with all the political parties in Sierra Leone in relation to its elections last year. We sought to help the parties to build policy platforms based on issues rather than on ethnic differences or regional loyalties. We persuaded the parties to set out their policies on pledge cards, and we persuaded Sierra Leone public radio to organise a version of "Any Questions?". The idea of African politicians having to answer questions about their policies from members of the public was quite an innovation.

We also supported a role-playing exercise, in which each party worked out in advance what they would do in their first day, their first week, their first month and their first three months of office if their party were elected. With the then President Kabbah, we went through the process to find out what he would do in those first days and weeks if he was not returned to office. When would he move out of the state house? When would he set up his office as leader of the opposition? What facilities would he expect to have in order to fulfil that role in Parliament? He was defeated in the election, and he did move out of the state house and become leader of the opposition.

In Africa, it is very unusual to have such a "revolving door", involving a genuine multi-party contest at an election in which the party that was in power is defeated and a party that was not in government is elected. In Sierra Leone, however, the door revolved, and the actors changed. I believe that the Westminster Foundation for Democracy had a real part to play in ensuring that that happened.

Having spent three years at the helm of the WFD, I have now decided to stand down. I believe that I have achieved the goals that the then Foreign Secretary set for me when I was appointed, and that a new chairman will bring new ideas and a fresh focus for the challenges ahead. I understand that the Foreign Secretary has been asked to appoint my hon. Friend the Member for Sheffield, Heeley (Meg Munn) to the WFD board, and I hope that the board will elect her to the chair. It would be a major asset to the foundation to have a former Foreign Office Minister, alongside my right hon. Friend Lord Foulkes, a former DFID Minister, on the board.

The WFD does a lot with the relatively limited assets at its disposal, but I believe that it could do much more to express the UK's soft power in emerging democracies. I hope that the Government will maintain the grant in aid, because without core funding, the foundation would have serious problems. I also hope that they will look for opportunities in other countries in which the foundation could play useful roles, and then fund the WFD to undertake them. The Foreign Office and DFID should both do this, and we should be encouraging multilateral bodies such as the European Union and the United Nations to do so as well. As chair of the Westminster Foundation for Democracy, I worked with three Foreign Secretaries, and I thank them for their support. I urge the Government to keep supporting the foundation, as I believe that it is one of the best assets of the Foreign Office, the Government and the United Kingdom.

8.18 pm

Mr. Tim Boswell (Daventry) (Con): It is a pleasure to follow the hon. Member for City of York (Hugh Bayley). I listened to his remarks about the Westminster Foundation for Democracy and I pay warm tribute to his contribution in leading it for the past three years. It is also a privilege for me to be the first Member on the Conservative Benches to congratulate the hon. Member for Glasgow, East (John Mason) on his maiden speech, which was graceful, gracious and informative about his constituency. We ask no more than that.

In a sense, this debate is a tribute to the power of democracy and to our ability to support each other even when we disagree with each other. I have found the insights that I have heard today fascinating and mutually reinforcing, from all the different aspects. I hope that the House will forgive me if my comments are a little more related to the legal side of human rights, because that is a personal interest and, as it happens, a familial interest of mine. I also have experience in the Parliamentary Assembly of the Council of Europe, which I have found very stimulating and informative on this issue.

Looking back at the history of all this, we can see the roots in world war 2, going back as far as the Atlantic charter. It was signed by the two nations of Britain and America, which Churchill described as the great democracies. It was a reaction to absolutism, aggressive war and the holocaust. I think it was also an understanding of the need to temper the powers of the democratic state, which were exercised during wartime. It was also a celebration of the worth of every individual. It is about the respect we have for individuals and groups of people in our society.

I commend the European convention of human rights itself as a clear document that is well worth reading. It has a surprisingly strong emphasis on private autonomy, private life and private decision making. That is well instanced in article 8, which recognises the right to private life, but then says that it is subject to any overriding interest, whether it be of national security, public safety, economic well-being, concerns about disorder or crime, health or morals or, finally, the protection of the rights or freedoms of others. The default position in human rights law thus lies firmly with individual rights, and any derogations are defined only in strictly limited and specified circumstances. Bearing in mind the strong influence of British lawyers in the drafting, it expresses in codified principles the pragmatism of our common law, and it is in no sense a sanction for arbitrary acts by central Governments.

It is perhaps not without significance that the title of today's debate omits the third leg of the Council of

[Mr. Tim Boswell]

Europe stool, which always refers to "democracy, human rights and the rule of law". Indeed, it is under the present Government that we have repatriated the convention and required Ministers to certify the compatibility of their legislation with the convention rights. Sometimes, they do not find it very happy when that is challenged.

Nobody has said in today's debate—but I shall—that there is sometimes a backlash against human rights, although not perhaps against the simple ones. We can all sign up to the fact that we do not want people to be maimed, tortured or subjected to arbitrary imprisonment. That is easy. The more difficult situations arise when there is a clash of rights or where we feel some sense that rights are being extended to persons who do not deserve them. That is not my view. Our problem is that we all enjoy implicit rights, but we dislike explicit rights being extended to people who do not suit—whether they be terrorists, paedophiles or even just foreigners. That argument can then turn up in the tabloid press, with a very unpleasant set of overtones.

As I just mentioned, those who drafted the European convention recognised from the start that there were limitations occasioned by public policy and that no absolute right was expressed in the convention. This rather difficult situation—the move from the easy rights to the complex rights—has, I think, been aggravated by a number of factors. This country has seen a huge growth in administrative law and judicial review. There has been a shift from concentration on individual rights—involving whether individuals are tortured or persecuted—to issues about group actions and groups of people, often fuelled by the media or by non-governmental organisations. The increase in challenges to authority is perhaps healthy. For example, whereas food rationing would have gone through on the nod as an administrative action during the war, if we started imposing a system of milk quotas now, that would nowadays immediately become subject to judicial review.

Where do we go now for human rights? The first and strongest point is that we need to be very careful about our own record. There is a wonderful phrase in the convention about the general principles of law being recognised by "civilised nations". I have an idea that the UK thinks of itself and defines itself as one of those nations. It is no longer any good, however, simply putting ourselves forward as a civilised nation, with the assumption that everything we do here is above reproach.

One really stimulating aspect of the Parliamentary Assembly of the Council of Europe is that it has 47 member countries—all in various stages of emerging democracy and with different traditional attitudes towards human rights. Whether Her Majesty's Government like it or not, those members can bite back at us. Critical reports were recently issued about the security of our postal voting system—already referred to earlier—and an outline report has been drafted on the 42-day detention proposals. That, of course, stresses the importance of process and safeguards. I am given to understand that the other place has taken a lively and, in my view, entirely commendable decision on that matter today—[HON. MEMBERS: "Hear, hear."] The concept is not confined to the Council of Europe, because some rights are universal under the UN convention, and they extend to other issues such as disabilities, the rights of children and so forth.

I am delighted to welcome the Minister for Europe to her new post and I am pleased to see in her place the Under-Secretary, who is going to wind up today's debate. I would like to provide them with a brief shopping list on human rights. I mentioned in an earlier intervention the importance of adequate resourcing for the Strasbourg Court and of following protocol 14 to improve process. I would like Ministers to look further into the whole business of Council of Europe conventions that we have signed but not ratified. A White Paper explaining why we have not ratified them—sometimes over many years—would be appropriate, even if some of them are no longer valid.

I would also like further work to be done on the responsibility to protect both the definition of the circumstances justifying intervention and the means of securing it. Given that Ministers are now a certifying body, I would like them, along with central and local government officials, to get better training in what the conventions mean. In domestic legislation, I would like greater use of principles clauses, which we used successfully in the Mental Capacity Act 2005. I would like to see greater awareness of the concept of human rights in education, notably in history and citizenship training. Better international exchanges between interested parties to promote a common understanding of the meaning of human rights under legal systems that formally differ from one another would also be helpful, as would more independent international monitoring of each other's practices. We have nothing to hide, so we should welcome that.

As the final item on my list of specific interventions, I would like further work to be done on preparing for intense immediate intervention in conflict and crisis situations. I pay tribute to the work done during recent conflicts in Georgia by the teams of the European Commissioner for Human Rights, Thomas Hammerberg. It is very important that we are able to send such people in, because human rights go by the board when there is warfare.

Today is a time for thinking about the big picture. On paper, we can have all the human rights we want, but we must have a human rights culture to accompany them. Perhaps the easiest bit is democracy, because we have been at that for many years, but we need to remind the general public that human rights are their rights, and that in a sense we will all need them at one time or another, whether for the purposes of anti-discrimination or for protection from arbitrary administrative action.

We have moved a long way. For example, I participated in consideration of legislation driven by the European Court of Human Rights to change the law on transgender people. Also, as today has shown, by adding the rule of law to complete the trio, we have made Ministers think. Sometimes, as today, we have stopped them dead in their tracks.

In the end, however, this will be a matter of attitudes. In the spirit of the conventions, whether European or United Nations, we need to start by leaving space—whether in Britain or worldwide; it does not matter where—for people to live and flourish without unwarranted interference. That is the respect side of human rights. We need proper discretion by Government—for example, over

their storing of data. We need a sense of fairness between the parties that people have to deal with. If Government have to intervene, or are the provider of a public service, people using that service should be treated with decency.

If we can get Ministers—who are public servants, as they should be—and then their private counterparts to act in that spirit, the advances in human rights that we have made in the last half century in this country, in Europe and internationally will be secured, and we can use and extend those universal principles to improve the future functioning of this planet and, above all, of the people who live on it.

Debate interrupted.

Counter-Terrorism Bill

8.30 pm

The Secretary of State for the Home Department (Jacqui Smith): I come to the House this evening to set out the Government's position on the Counter-Terrorism Bill. The provisions in this Bill have always been about protecting the British people—protecting them from the serious threat that we face from terrorism. My approach has always been to strike the right balance between protecting national security and safeguarding the liberty of the individual. That balance is a precious and delicate one, and it has meant, quite rightly, that our proposals on pre-charge detention have been the subject of intense parliamentary scrutiny. But, for me, there is no greater individual liberty than the liberty of individuals not to be blown up on British streets or in British skies.

We face a terrorist threat that is at the "severe end of severe", and we have proposed in this counter-terror Bill a way in which the police and prosecutors could apply to a judge to enable them to continue an investigation of a terrorist suspect in the most difficult, most complex and most challenging of circumstances. This House has voted in favour of a reserve power, which could be used only where there is a grave and exceptional terrorist threat—*[Interruption.]*

Mr. Speaker: Order. Let the Home Secretary speak.

Jacqui Smith: And which would be accompanied by high judicial and parliamentary safeguards. But despite the considered view of all leading counter-terrorism police professionals that these powers will be necessary and should be there, ready for use if needed; despite the opinion of the independent reviewer of terrorism legislation, the noble and learned Lord Carlile; and despite the decision of right hon. and hon. Members of this House, the other place has tonight voted to remove from the Counter-Terrorism Bill the protections that the Government believe should be in place—not to amend, not to strengthen, simply to remove.

My priority remains the protection of the British people. I do not believe, as some hon. Members clearly do, that it is enough simply to cross our fingers and hope for the best. That is not good enough, because when it comes to national security, there are certain risks that I am not prepared to take. I am not prepared to risk leaving the British people without the protections that they need, and so instead of reintroducing the proposals for a reserve power in this House, my right hon. Friend the Prime Minister and I have taken action to ensure that we have those protections in place, ready to be used if necessary.

I have prepared a new Bill to enable the police and prosecutors to do their work—should the worst happen, and should a terrorist plot overtake us and threaten our current investigatory capabilities. Some may take the security of Britain lightly. I do not. The Counter-Terrorism (Temporary Provisions) Bill now stands ready to be introduced if and when the need arises. It would enable the Director of Public Prosecutions to apply to the courts to detain and question a terrorist suspect for up to a maximum of 42 days. Individuals could be detained only when that was authorised by a judge. The

[Jacqui Smith]

Bill's powers would sunset automatically after 60 days. I will place a copy of the new Bill in the Library of the House.

I will continue to press forward with the other important and necessary measures in the current Bill: tougher sentencing for terrorists, stronger powers to seize terrorists' assets, stronger powers to allow the police to remove material that they think is terrorist-related during searches, the power to take DNA and fingerprints from people on control orders, and the ability to question terrorist suspects after charge. Those measures are right. They are necessary. I want to see them enter into force as soon as possible, and I will continue to make the case for them as the Bill progresses.

We cannot defeat terrorism through legislation alone, but where legislation can help to protect the innocent from those who would inflict atrocity upon us, I am steadfast in my determination to do the right thing for the British people. I deeply regret that some have been prepared to ignore the terrorist threat for fear of taking a tough but necessary decision.

Let no one kid themselves that this issue can be made to go away. These are hard questions and tough questions, but however much Opposition Members may wish to duck them, Britain still needs to be protected; Britain still needs to be prepared to deal with the worst. I hope that, when it becomes necessary to introduce this Bill—as I believe it may—we can count on their support.

I commend my statement to the House.

Mr. Dominic Grieve (Beaconsfield) (Con): Let me first thank the Home Secretary for her statement, and for giving me some very short prior sight of it. I hope that she will forgive me if I ask, in view of the very short time that I have had, when she first instructed parliamentary counsel to draft this alternative piece of legislation.

For all the way in which the Prime Minister's spin doctors have prevented the right hon. Lady from saying in straightforward terms that she is abandoning 42 days' pre-charge detention, may I say to her that many in this House, including many on her own Benches, will be delighted to learn of that decision? Can she confirm to the House what happened in the other place this evening? Will she confirm that the Government lost by 191 votes, that 24 Labour peers taking the Labour Whip voted against the Government—including Lord Irvine of Lairg, Lord Falconer of Thoroton and Lord Dubs—and that there were massive abstentions by Labour peers, so that the Government were able to muster only 118 votes from a total of well in excess of 200 peers taking the Labour Whip? Will she—*[Interruption.]*

Is not the reason why the right hon. Lady has had to make this statement that, as the debate on this matter progressed over a considerable period, the arguments in favour of the Government's measure became weaker and weaker, that the Director of Public Prosecutions, a past head of the Security Service, and many senior police officers and ex-police officers all said that they could not support the measure because it lacked any necessity, and indeed that when the measure came to this House on the other occasion, it was effectively rendered unworkable by the Government's and the Prime Minister's desperate attempts to salvage it? Is it not in fact the case that the Bill was introduced by the Prime Minister for reasons that still appear highly opaque and that certainly raise the taint of party political advantage, and that he then micro-managed it into oblivion by his own endeavours?

The right hon. Lady has presented to us this alternative piece of legislation. I find it one of the most bizarre things that I have ever read. Can she please explain why this measure is of any usefulness when, as she knows, at the start of the process, we said to her that we would be only too happy to co-operate with the Government on an amendment of the Civil Contingencies Act 2004 to provide for almost identical powers to be exercised in the case of an emergency? Can she please explain here this evening how the measure that she is putting forward is in any way advantageous over that proposal, which we put to her and to the Prime Minister in complete good faith? If it is so advantageous, why is she not taking the opportunity of amending the Bill to put the measures in it when it returns to the House of Commons, or is it that she knows very well that, when it was submitted to scrutiny, she and the Prime Minister would be exposed yet again for putting forward hollow and unsustainable arguments?

I am afraid that the right hon. Lady somewhat demeans herself when she yet again returns to the argument that those who oppose the Government's measures are weak on terrorism. I have to say to her how profoundly I object to that. We on the Conservative Benches are perfectly prepared to be firm on terrorism, to take resolute measures and, if necessary, to pass difficult Bills, but they have to be credible and based on evidence, and they must not be put forward in a way that smacks of mere political posturing and gimmicks. I think that she knows in her heart, having inherited this mess, that that is exactly what this part of the Bill amounted to, and that that is why it has all come so badly unstuck. The fact that this poorly thought-out measure has gone is greatly to the credit of both Houses, but unfortunately it is not to the credit of the Government at all.

Jacqui Smith: I believe, although it has never been completely clear as we have gone through the process, that the hon. and learned Gentleman has just accepted the premise that, in order for the police and prosecutors to be able to do their job, there may come circumstances, given the complexity of the situation that we face, the danger of the terrorist threat that we face and the international nature of terrorism, where someone may need to be investigated for longer than 28 days before they can be charged. That, of course, is the basis of the Opposition's fig leaf of proposing the use of the Civil Contingencies Act, but if there is one thing that has been completely clear throughout the whole process, it is that every expert who has looked at that Act as a way of dealing with the issue—the Joint Committee on Human Rights, the Select Committee on Home Affairs and others—has concluded that it would be wholly inadequate to cover off that risk.

Therefore, we have to come back to whether the Opposition have been serious from the beginning in trying to find a way through this process. Frankly, I set out to try to build a consensus from the beginning to cover off a serious risk. The hon. and learned Gentleman and his predecessor have made no efforts to engage in that consensus building, which suggests to me that, in

fact, they were the people who were not taking the issue seriously and who were not willing to look at how we deal with it.

Those who have voted against these measures, both in this House and in the other House, are predominantly, in the vast majority, from the two Opposition parties. They are the people who should take responsibility for the defeat of these sensible and proportionate measures, and in the end, the hon. and learned Gentleman has to ask himself what he would do to protect Britain from the risk of terrorism that undoubtedly exists, and to give the police and prosecutors the powers they will need. I am clear that the interests of Britain's security must come first, which is why I have rightly produced an alternative way of safeguarding those interests. I hope that the hon. and learned Gentleman and his friends will support those measures if we have to introduce them.

Chris Huhne (Eastleigh) (LD): Whatever the Home Secretary says, this was a crushing defeat for the Government, because they not only lost the vote in the Lords, but comprehensively lost the argument, and now they are in humiliating retreat. I believe it is an old naval command to say, "Make smoke, beat the retreat", and this Bill is precisely making smoke.

These excessive powers were a dagger-thrust at our hard-won liberties. Does the Home Secretary now recognise that the longest period of detention without charge in any comparable democracy is 12 days in Australia, which is less than half the current period in Britain, let alone what she was proposing? *[Interruption.]*

Mr. Speaker: Order. Members must allow the hon. Gentleman to be heard. It is unfair when Members, particularly on the Front Benches, shout across the Chamber.

Chris Huhne: Thank you, Mr. Speaker.

Far from making us safer, which is the Home Secretary's principal contention, will she now admit that her changes, repeated in this new Bill, would have alienated minority communities in the same way that internment alienated the Catholic community in Ulster? Democracies put a torch to their own traditions at their peril, because they abandon the high ground and get down in the dirt where the terrorists want us. Does the Home Secretary now recognise, in failing to threaten the Parliament Act and in putting forward this fig leaf of temporary provisions, that her majority in the Commons was press-ganged by her Whips, and that she had no mandate from her manifesto and no moral authority to press ahead, since her majority is based on just 35 per cent. of the popular vote?

Jacqui Smith: At least the hon. Gentleman has taken a consistent position throughout this debate. He has never recognised what those who are actually engaged in countering terrorism have recognised is the case: that there may well come a time when somebody needs to be held for longer than 28 days. He has continued to use frankly fallacious arguments about comparisons. In having clear judicial oversight of detention, all our proposals and current provisions in this country are in line with our international responsibilities. We have been through all the approaches in other countries, such as in France with its investigating magistrates, which enable them, in serious cases of terrorism, effectively to hold people for longer than 28 days before they reach the equivalent of a charge.

Frankly, when we are trying to engage in a serious debate about terrorism and the hon. Gentleman reverts, as he has done on previous occasions, to the charge that this is internment when it is fundamentally different, we know that he has run out of arguments and that he is not willing to face up to his responsibilities. I am afraid that that has been the approach that the Liberal Democrats have taken throughout this whole process.

Keith Vaz (Leicester, East) (Lab): The Home Secretary is absolutely right: these are very serious and complex issues, and she has taken the right approach tonight in deciding not to proceed with the 42 days. In respect of the new Bill, will she give the House an undertaking that she will adopt the same approach that she adopted for the previous proposed legislation and that her door will be open to ensure that all Opposition parties will be able to proceed with the Government on the basis of consensus? The best way to approach this issue, above all issues, is for the parties to work together, in order to work as one to defeat terrorism.

Jacqui Smith: I thank my right hon. Friend. The cross-party consideration of his Committee, which of course recognised that there may well come a time when somebody needs to be held for longer than 28 days, has certainly informed the process and much of the content of the Counter-Terrorism Bill. I am disappointed that the serious and considered approach taken by my right hon. Friend and his colleagues on the Home Affairs Committee was not reflected in engagement in discussion by Opposition parties in particular.

The Counter-Terrorism (Temporary Provisions) Bill, which I will place in the Library tomorrow, is based fairly and squarely on the approach taken in the Terrorism Act 2006. They are well considered and understood provisions. I will, of course, want to hear any recommendations that hon. Members have, but it is important to say that the provisions have already been fully considered by the House in previous counter-terror legislation and build on the approach to pre-charge detention that has certainly been successful up to now.

Mr. David Winnick (Walsall, North) (Lab): I in no way question my right hon. Friend's sincerity, but does she accept that those of us on the Labour Benches, be it in the Commons or the Lords, who have opposed 42 days in no way underestimate the terrorist threat of those people who wish to bring terror and destruction to our country? We know, and they have to be defeated. Does she recognise that the reason why we have opposed 42 days is the lack of any compelling evidence to justify going beyond 28 days? Indeed, two former heads of MI5 have stated that they, too, are opposed to any such extension.

Jacqui Smith: I do not doubt my hon. Friend's sincerity in wanting to fight terrorism—*[Interruption.]* But when those whom we ask to carry out the difficult job of keeping us safe from terrorism in this country, the most senior police officers engaged in the investigations, suggest—

Mr. Keith Simpson (Mid-Norfolk) (Con): Andy Hayman did not.

Jacqui Smith: Actually, Andy Hayman did make it clear in his recent article that he believes that there may well be a time when longer than 28 days will need to be used. *[Interruption.]* The hon. Gentleman can pontificate all he likes, but that is the case. When other senior police officers whom we task with the job say that it is necessary, and serious commentators such as the independent reviewer of terrorism legislation think that it is necessary, I believe that it is right that we as a Government should respond. That is what we have tried to do in both the Counter-Terrorism Bill and the Bill that I have announced to the House this evening.

Sir Alan Beith (Berwick-upon-Tweed) (LD): If this is to be a serious discussion, does the Home Secretary really want to stand by the view that the former Lord Chancellor, the former Attorney-General and former heads of the Security Service have been prepared to ignore the terrorist threat for fear of taking a tough but necessary decision? Surely they actually believe that the measures are not necessary in their present form and could be damaging. She must engage seriously with that argument and not produce that kind of statement.

Jacqui Smith: The people to whom the right hon. Gentleman refers have been willing to engage in the debate. It is not them that I am criticising; it is his party and the Opposition, who have been unwilling to engage in that discussion.

Alun Michael (Cardiff, South and Penarth) (Lab/Co-op): Does my right hon. Friend share my puzzlement as to why the number of days has become such a symbolic issue? Is not the real issue the balance between protecting the public and ensuring that power is not abused in respect of the innocent, whether the number of days for which somebody is detained is seven, 14, 42 or any other number? Is that not the advice that we on the Labour Benches have been listening to?

Jacqui Smith: My right hon. Friend makes a very strong point. Of course, any period of detention beyond 48 hours quite rightly requires the authorisation of the judiciary, as would any period beyond seven or 14 days or that in our proposals. He makes an important point; people in this House have to be very confident that there will be no case in the near future in which somebody needs to be held for 29, 30 or 31 days in order to complete an investigation and bring them in front of the court. I do not believe that people in this House are confident of that, and the fact that they have not been willing to engage in how we solve that problem is at the very least disappointing, and in many cases downright irresponsible.

David Davis (Haltemprice and Howden) (Con): The Home Secretary would do better to recognise that the reason why she has faced the biggest defeat in the Lords in living memory is not that two Lord Chancellors, Attorneys-General, chief constables and heads of MI5 take security lightly, but that they find her proposals unnecessary and intolerable. When she was offered a year ago the option of the Civil Contingencies Act 2004, she turned it down in the first instance because she said that declaring a state of emergency would give a propaganda coup—a publicity coup—to the terrorists. Can she explain to the House how having a full debate on a whole new Bill will give any less of a propaganda coup to the terrorists?

Jacqui Smith: The right hon. Gentleman knows that that is not the case, because he was involved in discussions with me. I just regret that he made completely clear from when we first started these discussions that he had no intention of finding a way to help us deal with a situation that he himself recognises might exist—where somebody needs to be held beyond 28 days. I regret that he felt unable to engage with us in something that would have been deliverable. I hope that if we need to introduce legislation again, as I fear we might, people will engage with that constructively for the good of the security of this country.

John Reid (Airdrie and Shotts) (Lab): The Home Secretary is right tonight. She is right that the primary responsibility of Government is the security of the nation. She is right that the basic human right of all our people is the right to life and to live their life without the fear of losing it. She is also right to have emergency legislation, as the police have clearly indicated that they can envisage circumstances in which they might need such powers. However, she is also right to seek a consensus and, therefore, not to proceed tonight. The best basis for national security is national consensus, and although it has proved difficult in the past, may I therefore ask her if she will respond to the unrequited measures that she previously introduced by being positive again, and by engaging the Home Affairs Committee and the Opposition parties? If nothing else, that challenges their affirmation tonight that they are willing to reach a consensus on these matters to give security to the nation, and if we do that, we will be in a far better position for the whole House.

Jacqui Smith: My right hon. Friend, who made very important steps forward in our ability in this country to counter terrorism, makes a strong point. He started this process seeking consensus, and I can certainly give him a commitment that I will continue this process seeking consensus for the good of the security of this country.

Pete Wishart (Perth and North Perthshire) (SNP): What a cataclysmic climbdown; we could almost hear the gear clunking into reverse. What we have is an undead measure—neither alive nor dead—waiting for the parliamentary stake through the heart. Why the petulant defiance? The right hon. Lady should accept that no one agreed with her, that nobody felt that this was required and that this measure is now lost.

Jacqui Smith: The responsibility of a Home Secretary is to continue to cover off the risks to this country that are identified to her from the serious threat of terrorism. The hon. Gentleman would have done this country more service had he focused on that, rather than on making cheap points about my presentation.

Mr. Russell Brown (Dumfries and Galloway) (Lab): As someone who served on the Committee that considered the Bill, it became clear to me at a very early stage that consensus was unlikely to be reached in order to get the

consent of both Houses to getting this legislation through, and that the Civil Contingencies Act would never achieve what the Bill sought to achieve. Although I fear that we will have to return to this issue at some stage, I sincerely hope that Members of this House recognise that we do not wish to revisit it at a stage where we have lost significant life in the UK as a result of further terrorist activity.

Jacqui Smith: I thank my hon. Friend for the contribution that he made in Committee, where, as he will know, the Conservative party did not table a single amendment to the provisions on pre-charge detention. That is a telling indication of an unwillingness to engage in a constructive process to find a way through this. He is right to say that all of us have a responsibility to find the best way to protect this country at a time when we may well need to extend the tools for those investigating and prosecuting terrorist offences. That is what I have sought to do throughout this process, and it is what I shall continue to do.

Dr. Julian Lewis (New Forest, East) (Con): Baroness Manningham-Buller is probably the most qualified person in either House to assess the proposals for keeping people in jail without charge for three months. The Home Secretary has accepted that Baroness Manningham-Buller's arguments were sincere, patriotic and couched in terms of the best security for the country. The arguments that Baroness Manningham-Buller uses are indistinguishable from the arguments used by the Opposition Front-Bench teams. Why does the Home Secretary accept one person as patriotic but denounce those of us who agree with a professional such as the noble Baroness as unpatriotic and cavalier about the defence of this country from terrorism?

Jacqui Smith: Because Baroness Manningham-Buller has a proud record of working to try to find a way through the difficult issues. Although many right hon. and hon. Members on the Opposition Benches have in the past taken important action against terrorism, I just feel that they have fallen short in trying to find a way through on this particular issue.

Mr. George Howarth (Knowsley, North and Sefton, East) (Lab): I congratulate my right hon. Friend on the robust way in which she has responded to the vote in the House of Lords earlier this evening. Does she accept that matters such as this one inevitably come down to good judgment, and that, in the end, most people outside this House will accept that she has exercised good judgment and that those who have opposed this measure have made an error of judgment?

Jacqui Smith: I thank my right hon. Friend for those words. I have certainly attempted to approach this matter, as did my predecessors and others, in a way that will enable the greatest amount of information and contribution to finding a way through. I will continue to do that, but I will also continue to put what I believe to be the best interests of the British people and their security at the heart of the decisions that I take.

Bob Spink (Castle Point) (UKIP): My constituents are in the front line of the terrorist threat in this country, and they will welcome this Bill. Will the Home Secretary continue to press forward to find sensible and proportionate measures that will increase the protection of my constituents and other people in this country from these inhumane terrorists who are threatening and targeting this country right now?

Jacqui Smith: There have been many ways in the past year or so in which the hon. Gentleman has been brave. He has certainly been brave in speaking up for the best interests of the security of his constituents, in the face of opposition, and I thank him for his continued support.

Tony Lloyd (Manchester, Central) (Lab): Although I understand why my right hon. Friend makes her announcement tonight, may I tell her that once the party politicking dies down, three things will stand out? The first is that she sought consensus across this House and could not find it. The second is that senior police officers and police forces such as my own, which are used to dealing with terrorism, are convinced that the time may well come when more than 28 days will be needed. The third is that she must offer the British public the kind of protection that is adequate to tackle that terrorist threat.

Jacqui Smith: My hon. Friend is absolutely right, and it is only right that I thank him and other Labour Members for having engaged in such a constructive way in making sure that we safeguard the interests of our constituents. I shall certainly want to carry on doing that, alongside like-minded colleagues.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): Obviously we acknowledge the importance of this subject, but this House was debating the important issue of democracy and human rights in this country and around the world. Why did the Home Secretary feel it so important to interrupt that debate? Why could she not wait an hour and a half, until 10 o'clock, to make her announcement?

Jacqui Smith: Sometimes I think that you cannot win in this place. I thought that it was quite important, given the nature of the security issues involved, to come to the House and to make the statement as quickly as possible. Plenty of people turned up to hear me.

Jeremy Corbyn (Islington, North) (Lab): Does the Home Secretary understand that those of us who voted against 42 days did so because we thought that it was our duty to preserve liberties in this country and not to destroy relationships between different ethnic communities in this country? Will she please explain what is meant by the Bill that she will place in the Library tomorrow? Will it be some kind of lurking cudgel with which we will be threatened whenever an emergency appears so that the House can rush through some special legislation? Should she not accept that the principle of 42 days has been comprehensively defeated, both publicly and in the House of Lords, and that it is perhaps time to move on and forget about these excessively long periods of detention?

Jacqui Smith: I hope that my hon. Friend recognises that the reason for bringing forward the legislation in the first place was a recognition that the best way to defend all the communities in this country is to ensure

[Jacqui Smith]

that we take their security seriously. We are all clear in this House that terrorist atrocities have killed and maimed with no fear or favour when it comes to communities or religious backgrounds, and that everybody needs the sort of protection that comes from counter-terror legislation. I have drafted the Counter-Terrorism (Temporary Provisions) Bill so that when and if it is needed, we will have those protections in place for my hon. Friend's constituents, for mine and for the rest of the British public.

Alistair Burt (North-East Bedfordshire) (Con): In dealing with the financial crisis, the Government have invested a certain amount of effort and taken a certain amount of political capital out of their efforts in order to produce consensus. It might have been better to have followed that course than to have reacted to the result in the other place in the way in which the Home Secretary has tonight, castigating opponents such as the hon. Member for Islington, North (Jeremy Corbyn) in the manner in which she has and in terms that she might regret privately. Will she now answer the question asked by my hon. and learned Friend the Member for Beaconsfield (Mr. Grieve) and tell the House when the draft legislation that she has produced was first given to parliamentary counsel and when counsel was first instructed to deliver it?

Jacqui Smith: We started looking at the legislation last week because I was concerned that, whatever happened and whatever decision was taken in the House of Lords, my primary responsibility, which was to ensure that we had in place the protections necessary for the British people, should be pursued.

Rob Marris (Wolverhampton, South-West) (Lab): Does my right hon. Friend agree that it is inconsistent and unprincipled for Conservatives such as the hon. and learned Member for Beaconsfield (Mr. Grieve) and the right hon. Member for Haltemprice and Howden (David Davis), as well as organisations such as Liberty, to seek to clothe themselves in the Magna Carta and civil liberties while, conversely, they propose alternative diminutions of civil liberties, such as post-charge questioning, the use of intercept evidence at trial and 42 days' detention under the Civil Contingencies Act 2004? Is not that wholly unprincipled?

Jacqui Smith: If I have taken one thing from our discussions on the Bill, it has been my hon. Friend's incisive critique at every stage. I thank him for his engagement and wholeheartedly agree with his point.

Philip Davies (Shipley) (Con): We are all aware of how serious the terrorist threat is to this country. If the threat is as serious as the Home Secretary has set out this evening, is she prepared to scrap the Human Rights Act, which is one of the things that stops dangerous threats to this country being kicked out? It is no good her lecturing the House on how the Opposition will not take terrorism seriously if she is not prepared at least to look again at that new Labour shibboleth.

Jacqui Smith: The hon. Gentleman might like to have a word with those on his Front Bench—and particularly with the shadow Home Secretary about his views. The proposals in the legislation were wholly in line with the Human Rights Act and the European convention on human rights, so, frankly, the hon. Gentleman is raising a complete red herring.

Anne Snelgrove (South Swindon) (Lab): The ordinary people of this country look to their elected representatives in this House to provide them with adequate prevention of and protection against terrorism. Will my right hon. Friend assure me and my constituents that she has taken that into account in framing her emergency Bill?

Jacqui Smith: My hon. Friend is absolutely right. It is our responsibility as elected representatives to put the security of the British people at the heart of what we do and to engage seriously in trying to find a solution to some of the most difficult and sensitive issues that we will face in balancing collective and national security against individual liberty. I believe that we had done that in the Bill, but by bringing forward the emergency provisions as I have done, I am ensuring that we are covering that risk if and when we need to use them.

Mr. Philip Hollobone (Kettering) (Con): If the Home Secretary's arguments are so powerful and persuasive why does she think there was such a haemorrhage of support from her Benches in the other place this afternoon?

Jacqui Smith: Let us be quite clear: this House voted for the provisions. Labour Members in majority in the other place voted for the provisions. The responsibility for not being willing to take the provisions forward rests with the Opposition party and they will have to explain to the British people why they did not take this country's security seriously.

Tom Levitt (High Peak) (Lab): I voted for 42 days in the summer and I would have voted for 42 days again had that Bill come back to the House. Does my right hon. Friend agree that there is a time and a place for discussing the relative powers and responsibilities of the two Chambers of Parliament, as would have happened had she sought to use the Parliament Act, but that given the other pressures on the Government today and our other responsibilities, that time is not now?

Jacqui Smith: My hon. Friend makes an important point. It is of course also the case that there are other important elements of the Bill—whether post-charge questioning, strengthening sentencing for terrorist offences or tightening up the provisions on asset freezing—that I believe are right and should come into force as quickly as possible. That is why I thought it important to take forward those provisions in this Session and to get them on to the statute book as quickly as possible for the protection of people in this country.

Mr. Patrick McLoughlin (West Derbyshire) (Con): On a point of order, Mr. Speaker. I very much welcome the new precedent set by the Home Secretary this evening in coming to the House after a defeat in the House of Lords and explaining to the House of Commons the position that the Government intend to take. However, in future, can we make sure that it takes place at the end of business so as not to take time from debates? Can we

also ensure that in future we have regular statements every time the Government are defeated in the House of Lords?

Mr. Speaker: Perhaps it will help the right hon. Gentleman if I tell the House that it is for Ministers to judge whether they need to make statements to the House. Although I need to be given prior notice of their intention, neither my permission nor that of the House is required, as is made clear in "Erskine May", page 358—[HON. MEMBERS: "Ah!"] Order. I am speaking. The Secretary of State has clearly decided that this is a matter of urgency, but I did say that the Opposition should have a copy of the statement in advance.

Promoting Democracy and Human Rights

Debate resumed.

Question again proposed,

That this House has considered the matter of promoting democracy and human rights.

9.12 pm

Mr. Stephen Crabb (Preseli Pembrokeshire) (Con): I strongly welcome this debate on democracy and human rights, albeit that it has been truncated. It is easy to forget or underestimate how closely the proceedings of the House are watched and observed by individuals and groups across the world, including in countries that have nothing like the freedoms we enjoy. As a number of other Members have observed in their contributions, the debate is timely, as we are approaching the 60th anniversary of the signing of the universal declaration on human rights on 10 December 1948.

Members will recall that last year we celebrated another anniversary in the human rights calendar—the bicentennial of the Act to abolish slavery—and 2007 saw a string of events and initiatives celebrating the decision that the House took 200 years ago. Some of the initiatives tried to link what happened then with the campaigns to eradicate modern forms of slavery. I think in particular of the work done on human trafficking, a clear example of modern slavery.

For all the good work associated with the anti-slavery celebrations last year, 2007 was a year in which progress in tackling human rights abuses actually went backwards. From Burma to Zimbabwe, from Darfur to China, from Sri Lanka to any number of conservative Islamic regimes, human rights violations continued on a wide and systematic basis, and the international community was shown again to be weak and complacent in the face of atrocity and repression. Irene Khan, secretary general of Amnesty International, said in Amnesty's 2008 annual report that

> "2007 was characterised by the impotence of Western governments and the ambivalence or reluctance of emerging powers to tackle some of the world's worst human rights crises".

The fact remains that injustice, inequality and impunity are still the hallmarks of our world. We are coming towards the end of 2008, and no one can honestly say that it looks like this has been a more positive year for addressing human rights abuses internationally.

The question that we have all been trying to grapple with this afternoon is: what does putting human rights at the heart of foreign policy mean in practice in a country such as the UK, which still enjoys a measure of international leadership through the UN Security Council, the G8 and the EU, in an increasingly multilateral, interdependent world in which realism and the national interest are still vital, legitimate drivers of our interaction with other nation states? The starting point is to recognise that it is very much in our national interest to seek to push forward an international human rights agenda. Expanding political freedoms are often, but not always, accompanied by higher living standards, new stability and economic expansion around the world, all of which is good for the UK as it seeks to trade and interact globally.

[Mr. Stephen Crabb]

That was recognised 60 years ago when the international community came together in an unprecedented way to affirm that whatever national, ideological or cultural differences and interests divided the world, those divisions were superseded by a deep common interest in providing the conditions for human freedom to flourish, and so emerged the universal declaration, about which a number of hon. Members have already spoken.

Anyone who has spent any time considering the UN's performance in defending those principles will question whether there is anything substantial to celebrate at the 60th anniversary of the signing of the declaration. For example, anyone who has examined the track record of the ludicrous UN Commission on Human Rights, the body that was supposed to take a lead on some of these issues, will know that it became a safe haven for tyrants and dictators. It was finally wound up two years ago. Depressingly, so far, the replacement UN Human Rights Council shows too many signs of repeating the bad old ways of its predecessor body.

Amnesty International's 2008 report states:

"World leaders owe an apology for failing to deliver on the promise of justice and equality in the Universal Declaration of Human Rights...In the past six decades, many governments have shown more interest in the abuse of power or in the pursuit of political self-interest, than in respecting the rights of those they lead."

The responsibility to protect was one recent attempt by the international community to address the question of how we could realistically and practically defend the interests of those who are suffering from gross, systematic human rights abuses. As has already been discussed, at the heart of the matter is whether states have complete unconditional sovereignty over their own affairs, or whether the international community has the right to intervene militarily in a country for humanitarian purposes. It is three years since the doctrine of the responsibility to protect was first enunciated, and it has yet to be invoked. Time and again the international community has flinched and found a justification for inaction, in exactly the same way as it did 14 years ago when the world stood by as a brutal genocide was perpetrated in Rwanda.

Earlier this year, there was a strong case for intervention under the responsibility to protect after Cyclone Nargis hit Burma, with resulting humanitarian disaster. The Burmese Government deliberately withheld aid from its citizens, thereby turning a natural disaster into a man-made genocidal disaster.

David Taylor (North-West Leicestershire) (Lab/Co-op): The hon. Gentleman mentions Burma. Does he agree that the generals in Burma, who are guilty of the egregious crimes against humanity that he so vividly describes, should be referred to the International Criminal Court?

Mr. Crabb: I thank the hon. Gentleman for his intervention. I know that he has a deep personal interest in these issues. The truth is that when it comes to real war crimes, real genocide and mass bloodshed, the international community would rather skirt around the issue, and bury its head in international relations theory, than find a real practical response and help those who desperately need it. We saw that once again in Darfur. Amnesty International describes Darfur as

"the litmus test for the international community to show its resolve in addressing egregious human rights violations; to date it has failed to meet this test."

From Rwanda to Darfur and Burma, as many people have said, it seems to be a case of "never again, all over again". However, as an international community, we cannot retreat from our responsibility to protect. Now that that doctrine has been formulated, it is our duty to press forward and work out practical ways in which that will make a difference in the world in which we live. The UK Government must show commitment to translating the responsibility to protect into willingness to act in instances in which states clearly fail to protect their populations from genocide, gross war crimes, ethnic cleansing and serious crimes against humanity.

I shall briefly touch on the issue of religious freedom, which a couple of Members have mentioned. Article 18 seeks to protect religious freedom, and protects

"the right to freedom of thought, conscience and religion; this right includes freedom to change...religion or belief, and freedom, either alone or in community with others...to manifest...belief in teaching, practice, worship and observance."

Across the world, however, that fundamental universal human right is being denied, eroded, curtailed and chipped away.

We have heard mention of what happened in Orissa in India, and I do not wish to go over that ground in too much detail, other than to say that I have received reports from members of the Indian diaspora in the UK and from non-governmental organisations. The Indian Government's commitment to upholding the principle of religious freedom is not in doubt, but what is in doubt is the effectiveness of their police and justice mechanisms quickly to tackle instances of inter-religious conflict and attacks on Christian, Muslim or Buddhist communities by other faith groups. I encourage Ministers to discuss that sensitively and maturely with the Indian Government, who are sensitive about other countries prying into what they regard as internal affairs. However, there has been huge global interest in the appalling acts of violence in recent months, and I encourage the Government to use their influence with the Indian Government and offer what support we can to ensure that the violence is ended and the perpetrators brought to justice.

In the past few days in Iraq, according to CNN last night, 13 Christians have been killed, and nearly 1,000 Christian families displaced in and around Mosul, where radical Muslim groups have threatened the local Christian community: either they must convert to Islam, leave the city or face death. The Interior Ministry has rightly condemned that, but it is worth pointing out that we have troops who are fighting for a democratic, liberal future for Iraq, so we must offer the Iraqi Government whatever support we can to ensure that the curtailment of religious freedom, whatever group is responsible for the attacks, is nipped in the bud and that we uphold the best principles of religious freedom.

May I conclude on the issue of child soldiers, which has been mentioned in passing times several times in our debate? It is obscene that the UN should say that there are an estimated 250,000 child soldiers in active service today—a shocking indictment of the international community's failure to tackle the problem. Again, Burma—so often it is Burma—has the highest proportion of child soldiers of any army on earth, but there are

child soldiers in Chad, Sudan and many other countries. We have also heard reports from Gaza and Iraq of children being used or trained as terrorists and suicide bombers. Ministers in the Department for International Development recently worked on initiatives, but Ministers in the Foreign Office should see what collaborative action should be undertaken, both intergovernmentally and with the NGO sector, which remains extremely concerned about the issue, to see whether things can be progressed.

9.24 pm

Daniel Kawczynski (Shrewsbury and Atcham) (Con): I am afraid that I have only six minutes, so I shall curtail my speech.

May I begin by paying tribute to the chairman of the Shrewsbury branch of Amnesty International, Mr. Martin Beardwell, a long-standing Liberal Democrat councillor who does a tremendous job in chairing that important organisation? I recently attended one of its meetings, and was interested to see my constituents' dedication and commitment to promoting human rights around the world.

I will make just two major points. The Minister started her speech by referring to the European Union. In my view, the EU is totally unaccountable because it uses the proportional representation system for electing Members of the European Parliament. Three years ago, I started saying at large public meetings in my constituency that I would give anybody £100 if they could name our region's seven Members of the European Parliament—needless to say, I did not lose a penny. I now ask people to name two, and I have still not lost a penny. Nobody knows who the MEPs representing Shropshire are because none of them lives, works, has offices or holds surgeries there. Clearly, the gap between those elected and their constituents has widened vastly, and it is more and more difficult to hold those politicians to account. I am passionately against that; it is why I am chairman of the all-party group for the continuation of first past the post. I truly believe that that system is the only way of holding politicians directly accountable to their electorates.

I am also very against the Government's current policy of merging elections. They realise that very few people want to turn out to vote in European elections, so they throw in a few other elections on the same day. In Shrewsbury in June, we will now have three elections on the same day: the European elections, the elections for the new unitary authority that the Government have imposed on us and elections for the town council. Furthermore, there will be a general election if the Prime Minister so wishes—potentially, there will be four different elections in Shrewsbury on the same day. I have written to the Secretary of State of the responsible Department about the issue, expressing my concern at how the Government are mismanaging the election diary. We have seen what chaos there was in Scotland when there were various elections there on the same day, and I am concerned that that will happen in England.

The Minister referred to the Commonwealth only once, and very briefly. For me, the Commonwealth is the most important organisation of which we are part. I believe that its members are part of the same family, and Commonwealth countries mean far more to me and our history as a country than do members of the European Union. I pay tribute to the Commonwealth Parliamentary Association, Mr. Andrew Tuggey and the workers at the House of Commons for their tremendous work in bringing Members from this Chamber to Commonwealth countries to interact directly with people and talk about important issues.

This debate has been very general, but I shall give the Minister one specific example of an issue; my office sent her a copy of the relevant article today in the post. The article is from the 4 September 2008 edition of the *New Statesman*, pages 24 and 29. A citizen of Cameroon, a Commonwealth country, has claimed asylum in the United Kingdom. She claimed political abuse and said that she would feel threatened if she returned to her home country. I ask the Minister to look into the issue and give me a reply. I have tried to get in touch with the British high commission in Cameroon and I have spoken to the Cameroon high commission here in London about the case. It is extremely important that Ministers interact with Commonwealth countries if their citizens seek asylum in this country. We should hold Commonwealth countries to the same standards as apply in our own country and the European Union. There should be more scrutiny and analysis of what is going on in Cameroon, given that its own citizens are claiming political persecution and coming to the UK to seek refuge. I hope that I will get a reply from the Minister.

Finally, I turn to Georgia. The Chairman of the Foreign Affairs Committee spoke about the conflict between Georgia and Russia. I was concerned by his comments, because I believe that the Russians behaved absolutely outrageously in attacking that relatively small and defenceless country. I pay tribute to the political leaders of various Baltic countries, Poland and other European countries who went to Tbilisi during the summer to show solidarity with the President of Georgia.

The Russians always show aggression when they see the Atlantic relationship as being weak. When the British Prime Minister and the American President have not had a very close working relationship—for example, in the case of Jimmy Carter and Callaghan—that is when the Russians smell and sense weakness, and that is when they pounce. Unfortunately, the current Prime Minister is a foreign affairs novice who does not get on very well with President Bush, and that is why the Russians behaved so outrageously.

9.30 pm

Mr. Keith Simpson (Mid-Norfolk) (Con): This has been a rather disrupted debate. As my hon. Friend the Member for Aylesbury (Mr. Lidington) reminded the House, this debate on the Government's human rights report, the Foreign Affairs Committee's reply and, hot off the press—it seems that the Government printers have been working overtime in the past 24 hours—the Government's response to that, would usually take place in Westminster Hall on a Thursday afternoon. We should be grateful that because of the Government's incompetence in managing their legislative programme they have had to use this debate as nothing more than a stocking filler for this afternoon. The Minister is frowning, but that is the fact of the matter. Despite that, we have had a very good, wide-ranging debate. I particularly enjoyed the way in

[Mr. Keith Simpson]

which the Minister read her Foreign Office brief, which covered a less than broad range of issues, unlike what was said by many of her colleagues.

As many Members have said, it is not easy to get a balance between the practical objectives of a national foreign policy and human rights; indeed, the two things may sometimes be contradictory. It appears that the balance of human rights is sometimes tipped in favour of those who commit violence and deny human rights to others. Ultimately, it is in the nature of democracies often to have to carry out wars against terrorists in the full glare of publicity and in the view of their own people, and sometimes they have to deny themselves the kind of actions that might be pressed on them by the military and the security forces. Sadly, as all the reports point out, there are many examples in countries throughout the world of both security forces and terrorists resorting to torture. In the past, our own country has been arraigned on that account on occasions when it has fought counter-insurgency. As a historian, the lesson that I draw is that torture is not only counter-productive but a corrosive element within any counter-insurgency forces, which invariably hands a valuable weapon to the other side, even if they are terrorists. We judge these matters through the prism of democracy: free elections, the election of democratic Governments, an independent judiciary, an independent media, political control of the armed forces and police, total transparency and adherence to international law.

Several hon. Members rightly pointed to the role of British parliamentarians in promoting democracy. I would like to add my praise and congratulations to those at the Westminster Foundation for Democracy, which has played a valuable role over many years. They are frequently unsung heroes and heroines in working not only with parliamentarians and others in this country but with those in countries out in the field. The Atlantic Council of the United States, the Council of Europe, the Organisation for Security and Co-operation in Europe and, of course, our own Commonwealth Parliamentary Association have all carried out a valuable role involving many parliamentarians in all parts of the House.

Let me turn briefly to some of the interventions and speeches made during the debate. The right hon. Member for Walsall, South (Mr. George), a former Chairman of the Select Committee on Defence and a man who has carried out a vast amount of work for the Organisation for Security and Co-operation in Europe, gave us a short history of parliamentary democracy in the United Kingdom. He had a cup-half-full line that we are in danger of forgetting: however much we draw up lists of countries that are failing in their progress towards democracy and human rights, many are striving towards those aims. The list he gave ranged from Albania to Tunisia. I do not know whether the Under-Secretary will respond to his comments that both the Foreign and Commonwealth Office and the Department for International Development used weasel words in their annual reports about promoting democracy, but I hope she will take them on board, and say that both Departments should be proud of raising that particular issue.

Mr. Bruce George: Could the hon. Gentleman ask *Hansard* to delete "Tunisia" and insert "Morocco"?

Mr. Simpson: The right hon. Gentleman would undoubtedly make a good editor for a magazine. I happily take his positive intervention.

The hon. Member for East Dunbartonshire (Jo Swinson), the Liberal Democrat spokesman, talked a great deal, and with much knowledge and experience, on women's rights and representation, and gave many examples at home and abroad. I said to her beforehand that I would tease her on this matter: the Conservative party may, at times, be regarded as a very conservative party, but I remind the House that 160 years ago the leader of the Conservative party became the first Jewish Prime Minister, and a quarter of a century ago we elected the first woman to be a party leader, who then became Prime Minister. As yet, the Labour and Liberal Democrat parties have failed to do that. With regard to theory and practice, the Conservative party appears to be slightly ahead of those parties.

The hon. Member for Ilford, South (Mike Gapes), the Chairman of the Select Committee on Foreign Affairs, made a wide-ranging speech on many issues, and he touched on the issue of the US Republican party's idea of a league of democracies. That was touched on by other hon. Members, and perhaps we need to look at many of our international organisations—the United Nations, NATO and others—to see whether, in the words of a former Home Secretary, they are fit for purpose, judged against the criteria laid down in the report of the hon. Member for Ilford, South, or the challenges that we will face in future.

My right hon. and learned Friend the Member for Kensington and Chelsea (Sir Malcolm Rifkind) made a robust speech, claiming that the Government were confused in their approach to democracy and human rights, and he referred to the late Robin Cook's desire to produce an ethical foreign policy in 1997. Of course, the most important point that my right hon. and learned Friend raised, which caused some disagreement, was that military intervention in areas involving democracy and human rights usually creates more problems than it resolves, which was touched on again almost immediately by the hon. Member for Cannock Chase (Dr. Wright).

The hon. Gentleman quoted Sidney Webb—that will have thrown a number of colleagues who do not know who Sidney Webb was—who spoke of democracy as a way of disciplining private power. The hon. Gentleman also emphasised the importance of links between democracy and human rights, defended liberal interventionism, and said that it was through membership of organisations such as the European Union that Britain could enhance its influence. I went along with his arguments some of the way, but in practice, sadly—this is not entirely the fault of successive British Governments—the EU, when trying to get political or military forces together in providing military aid, has not been dreadfully effective to date.

We welcomed the hon. Member for Glasgow, East (John Mason) as a new Member for the Scottish National party. He made a good maiden speech, and also put forward some points relating to the debate, and we wish him well in his membership of the House. The hon. Member for City of York (Hugh Bayley) made the wonderful remark that the speech by my right hon. and learned Friend the Member for Kensington and Chelsea had raised the level of the debate. I do not know what he meant by that, but it appeared to cause some confusion

among those who had spoken previously. It was, however, meant in the most positive way, because my right hon. and learned Friend raised an issue that we are still debating: at what stage do we use military force where there are humanitarian problems? I also recognise once again the work of the hon. Member for City of York as chairman of the Westminster Foundation for Democracy. He put in a lot of hard work in that capacity.

My hon. Friend the Member for Daventry (Mr. Boswell) spoke out against the degree of extra noise in relation to the legal aspects of human rights. He has considerable experience in the Parliamentary Assembly of the Council of Europe. My hon. Friend the Member for Preseli Pembrokeshire (Mr. Crabb) is chairman of the Conservative human rights commission, and has taken an active role on our side in pushing this agenda forward. Finally, my hon. Friend the Member for Shrewsbury and Atcham (Daniel Kawczynski) spoke passionately, as usual, about the European Union and the fact that it was unaccountable. He also rightly emphasised the importance of the role of the Commonwealth, which is recognised across the Floor.

We have ranged widely over this report on human rights. Hon. Members have spoken passionately, not least about getting the balance right between the realpolitik of foreign policy and the principles in which we believe and which we wish to push forward. There are no easy answers for any Government attempting to persuade another country—especially one with the history, the culture, the memory and the sheer size of China—that they disagree fundamentally with many of the ways in which it carries out its government and in which it protects its human rights. However, that does not stop us, as parliamentarians, putting pressure on such countries, or on our own Government.

I want briefly to raise three aspects of the Government's report, and to highlight issues that I feel the Government need to address. The first is the issue of Burma, about which my hon. Friend the Member for Buckingham (John Bercow), who is no longer in his place, has spoken passionately. Last week, I was lucky enough to meet Andrew Kirkwood, the director of Save the Children in Burma. He has worked in that country for four years, and has led relief efforts for the charity after Cyclone Nargis. The cyclone was a terrible event and a great national disaster, but it was the total indifference and cruelty of the Burmese military that, at times, impeded the humanitarian aid and meant that tens of thousands of their own people died or suffered awfully from disease and neglect. One of the statistics that Andrew Kirkwood gave me was that something like 40 per cent. of children under the age of five in Burma die from measles, diphtheria and other such common diseases.

I know that Burma is not the only country in which such things occur, but I want to raise with the Minister the fact that Save the Children is on the ground doing wonderful work there, at times in spite of the opposition of the senior generals. Andrew Kirkwood pointed out that, at a lower level, Save the Children is getting some degree of co-operation in Burma. He was particularly impressed by the role of the countries of the Association of Southeast Asian Nations, which put an enormous amount of pressure on the Burmese regime after Cyclone Nargis.

Our Government have agreed on the importance of the responsibility to protect in any situation in which Governments are "unable or unwilling" to protect their populations from genocide, war crimes, ethnic cleansing or crimes against humanity. In relation to Burma, will the Minister update the House on what discussions have taken place at international level to move forward that concept from the theoretical to the practical? This issue was being discussed at the time, and it is of fundamental importance to all of us.

The second issue that I wish to raise is that of Zimbabwe. Does the Minister agree that it is now high time for the international human rights observer mission to go to that country? Will she provide an update on what progress has been made to that end? It seems to all of us that Mugabe, the old crocodile, is merely playing politics again, and that we have almost gone back to square one. It is only through international pressure that we will get any shift in that area.

The final area is Somalia. I agree with the Foreign Affairs Committee that the FCO annual report fails to pay sufficient attention to that country's severe human rights crisis. Whatever we say about Burma, Zimbabwe and—God save us—even Darfur, Somalia is one of the world's worst failed states. It is in total humanitarian crisis. Nearly half of the population, 3.25 million people, are now in need of emergency aid—a 77 per cent. increase since the beginning of this year—and 1.1 million people are displaced.

We all recognise that trying to resolve this problem is not an easy matter, but the Foreign Affairs Committee was absolutely right to say that this is one area that really should be a major priority. At one stage Somalia was a British dependency, so if nothing else, we have a great historical link here. I would like to see Somalia as one issue that Ministers will want to take forward over the next year. When we return in a year's time to debate the next report, I hope that we will see that some progress has been made.

Almost by chance, this has been a good debate. People on all sides have spoken with a great deal of passion. In many respects, I do not regret the Government's decision to make a statement at 8.30 this evening. I am taking advantage of my position at the Dispatch Box because this is an issue about the balance between legislation and human rights, but I personally regret having a Home Secretary preach to me and to my colleagues—many of whom have lost friends through terrorism, Minister—about being soft on terrorism. Get real!

9.46 pm

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Gillian Merron): This has been a wide-ranging, informed and often passionate debate. I would like to thank for their contributions the hon. Member for Aylesbury (Mr. Lidington), my hon. Friend the Member for City of York (Hugh Bayley), the hon. Member for Daventry (Mr. Boswell), my hon. Friends the Members for Cannock Chase (Dr. Wright) and for Ilford, South (Mike Gapes), the hon. Members for East Dunbartonshire (Jo Swinson), for Mid-Norfolk (Mr. Simpson), for Preseli Pembrokeshire (Mr. Crabb) and for Shrewsbury and Atcham (Daniel Kawczynski), my right hon. Friend the Member for Walsall, South (Mr. George) and the right hon. and learned Member for Kensington and Chelsea (Sir Malcolm Rifkind). I also congratulate the hon. Member for Glasgow, East (John Mason) on his maiden speech. I recall that when I

[Gillian Merron]

made mine, I was followed by the hon. Member for Mid-Norfolk, so who knows where the hon. Gentleman might find himself one day.

Human rights and democracy have a resonance that few other issues can match. We can all remember the image of women queuing up to vote for the first time in Afghanistan, and queues of a different nature—for food—in Mugabe's Zimbabwe. We in the UK have a mission to promote human rights and democracy not just because it is the right thing to do, but because it is in our interests. They are integral to all that we do, whether in working for peace in the middle east, in the functioning of international organisations such as the United Nations, the Council of Europe and the EU, or in our consular work, including support for the victims of forced marriage, prisoners facing execution and children illegally taken abroad by a parent.

The promotion of democracy and human rights is integral to what the Foreign and Commonwealth Office is all about and it underpins its every priority, whether in combating the global scourge of terrorism and its causes; preventing conflict and fostering its resolution; promoting a high-growth, low-carbon global economy; or strengthening institutions such as the UN, the EU and the Commonwealth, through which the international community can most effectively come together to make a difference in the world.

In the short time available, I will endeavour to deal with some of the main themes that my right hon. Friend the Minister for Europe did not cover earlier. We believe that the United Nations Human Rights Council contributes to the protection and promotion of human rights globally. I would not suggest that it is a perfect institution, but some steps forward have been taken, as we have heard in our debate. The new universal periodic review process will, for the first time in the UN's history, ensure that the human rights position in every UN member country is examined on a regular basis.[1] In addition, there will be a discussion of human rights in specific countries as a standing item on the agenda of the Human Rights Council—an item that was not on the old commission's agenda. Membership of the council depends on the votes of all UN members. While we might disagree with some members on a number of human rights issues, it is our view that continued engagement is the best way forward if we are to continue to win the arguments.

On the UN Durban review conference and the world conference against racism, I certainly confirm our immense disagreement with the events that took place in 2001. We do not want to see a repeat of them. In particular, we condemn the featuring, which was outright, of the anti-Semitism that we heard in the NGO forum. I can tell the House that we are participating in negotiations in Geneva at the moment and that we will reassess our position when the preparatory committee ends this week.

I share the deep concern for the prolonged suffering of the people of Zimbabwe. We want the political agreement that was reached in Harare to work. EU colleagues discussed and agreed on that early today. If there is no further progress towards a democratic resolution, we will have to consider introducing further targeted measures. To be effective, the agreement must achieve an improvement in the lives of the ordinary people of Zimbabwe and restoration of respect for human rights. With the international community, we stand ready to support the recovery of Zimbabwe and to respond to the needs of the new Government, but they must, as a Government, show themselves committed to reform, including respect for human rights.

On Burma, which was mentioned by the hon. Members for Aylesbury, for Preseli Pembrokeshire and for Mid-Norfolk, I share the immense concern for the appalling suffering of the Burmese people, which was made yet more acute, as we have heard, by the devastating Cyclone Nargis in May. We welcome the release of several political prisoners last month, but the truth is that 2,000 remain behind bars and political freedoms are completely absent. However, let us remind ourselves that, after the cyclone, the UK was at the forefront of international efforts to convince the regime to accept international aid.

To respond to the fair point raised by the hon. Member for Mid-Norfolk, we believe that states have responsibility to provide humanitarian assistance to their populations and while the responsibility to protect applies in the context of four crimes—genocide, war crimes, crimes against humanity and ethnic cleansing—it does not preclude the broader responsibility of states to provide for the security and welfare of their populations.

After the cyclone, our absolute priority was to get aid as quickly as possible to those who desperately needed it. We judged—I believe correctly, as we look back—that by working with the Association of Southeast Asian Nations and the UN we would manage to establish an aid delivery mechanism supported by the Burmese and that that would indeed be the most effective solution to that crisis.

On Colombia, I refer my hon. Friend the Member for Ilford, South, who ably chairs the Foreign Affairs Committee, to a statement made by my right hon. Friend the Foreign Secretary following the visit just last week of the Colombian Foreign Minister:

> "Those guilty of abuses—whoever they are—must receive justice for their actions. Colombia's people—particularly those most vulnerable: indigenous communities, the displaced, human rights defenders and trade unionists—deserve the full protection of the law, and the support of both the Colombian Government and its international partners."

I can assure my hon. Friend that we will continue to pursue that.

Guantanamo Bay was also raised by my hon. Friend and by the hon. Member for East Dunbartonshire. I make it clear once again that the position of the Government is that that detention facility should be closed. I listened carefully to the caution counselled by my hon. Friend. We hope that the new US Administration will give fresh impetus to the wish of the US Government to reduce the number of those detained at Guantanamo Bay and to move towards closure of that detention facility.

The hon. Member for East Dunbartonshire referred to the role of women in promoting democracy. Women are disproportionately affected by conflict, and must clearly play a role in its resolution. The United Kingdom commits itself actively to promoting the rights of women by giving them a voice, jobs, education and the right not to die in childbirth. It has supported the Afghan Government's micro-finance programme, which has given women better opportunities to secure finance to create work through creating business. In Ghana, through the

1. *[Official Report, 16 October 2008, Vol. 480, c. 5MC.]*

efforts of civil society, it has supported demands for legislation against domestic violence, which is now in place.

The right hon. and learned Member for Kensington and Chelsea got the debate going on an issue on which he feels strongly, and brought his knowledge to bear. While I respect his judgment on that issue, my view is that military intervention is not and has never been the course of first or only resort. I agree with the hon. Member for Buckingham (John Bercow) that to rule it out is to deny what may present a way forward that has eluded us through any other means, but it is not to be taken lightly; it is only one possibility.

Let me say to my hon. Friend the Member for Cannock Chase that I believe Iraq has come a long way. More than 12 million people voted in the 2005 election. In Afghanistan, a third of children who are involved in schools are girls, whereas previously none was. For me, that represents human rights and democracy in action.

My right hon. Friend the Member for Walsall, South has allowed me to put it on record that human rights and democracy are work in progress, whoever we are and in whatever country we are, and that includes the United Kingdom. The promotion of democracy is not just about elections, important though they are; it is about the work that we do to support the voice and the power of civil society to secure freedom of expression and to demand change. It is about building the rule of law, the accountability of the judiciary, the military and the police, and the capacity of political parties. I pay tribute to the work of my hon. Friend the Member for City of York in chairing the Westminster Foundation for Democracy, which has done so much in that regard.

Let me close a debate that has highlighted much of the cruelty and tragedy that happen when leadership fails by paying tribute to a document that shows leadership at its best. The universal declaration of human rights, signed almost 60 years ago, was referred to by a number of Members, including the hon. Member for Daventry. I assure him that I will take away his shopping list, and the thought with which he presented it to the House. That document is a testament to a united world, written in the aftermath of a war that ripped the world apart. It is a reminder that we can choose whether we wish to be defined by what makes us different or by what we share. It shows us what nations can achieve when we come together to assert that all people everywhere are entitled to the freedoms that many of us take for granted, and it should reinforce our determination to do more and better to ensure that it—that landmark declaration of human rights—is as powerful in practice as it is in aspiration.

I pay tribute to the work of right hon. and hon. Members on both sides of the House, to non-governmental organisations and, crucially, to those individuals who take a stand for human rights in countries and conditions that would make the best of us falter. We have had a wide-ranging debate, which has been powerful, well-informed and passionate. I hope that people will take that passion from the House today, and will not keep it to themselves.

Question put and agreed to.

Resolved,

That this House has considered the matter of promoting democracy and human rights.

COMMITTEES

Mr. Deputy Speaker (Sir Michael Lord): With the leave of the House, I will take motions 2 and 3 together.

CHILDREN, SCHOOLS AND FAMILIES

Ordered,

That Adam Afriyie be discharged from the Children, Schools and Families Committee and Mr Edward Timpson be added.

HUMAN RIGHTS (JOINT COMMITTEE)

That Mr Douglas Carswell be discharged from the Joint Committee on Human Rights and Mr Edward Timpson be added.—*[Tony Cunningham, on behalf of the Committee of Selection.]*

PETITION

Planning and Development (Essex)

10 pm

Bob Spink (Castle Point) (UKIP): Overdevelopment is the most demanding specific local issue in my constituency. It is destroying our green belt and open spaces and causing harm to the quality of life of all residents. It is putting intolerable pressure on public services and infrastructure. The blame lies jointly with the Government's building targets, local councillors and a strange acquisition with developers. We need more transparency on planning in Castle Point, and we need councillors to start to listen to residents. I congratulate Robert Kimmel and all those who by signing this excellent petition show that they care about their local community.

The petition states:

To the House of Commons.

The Petition of Robert J Kimmel, residents of Castle Point and others, declares that Castle Point is already overdeveloped for the infrastructure that exists and further development should be very carefully controlled and restricted and that the proposed development of 234 Benfleet Road in Castle Point is very much against the community's interests, and offends against material planning considerations including the overdevelopment of the site, an unacceptable imposition on the established street scene, inadequate garden and parking facilities and that it will impose an unacceptable burden on the general infrastructure and public facilities such as dentists and schools. We further record that this decision is the direct responsibility of the individual councillors who should decide this matter, rather than seeking to hide behind their officers.

The Petitioners therefore request that the House of Commons urges the Government to make Castle Point Borough Councillors aware of this Petition and of the very deeply and widely held view of residents that Councillors should vote against this proposal.

And the Petitioners remaining etc.

[P000275]

Deaths of Ann Mawer and Sue Barker

Motion made, and Question proposed, That this House do now adjourn.—*[Chris Mole.]*

10.1 pm

Shona McIsaac (Cleethorpes) (Lab): I would like to extend my thanks to Mr. Speaker for selecting this topic for debate.

The issues that I wish to bring to the attention of the House relate to the deaths of Ann Mawer and Sue Barker on Christmas eve in 2007. On that Christmas eve, 52-year-old Ann Mawer went to work at Fred's Taxis in the town of Immingham. Within about 15 minutes of arriving at work, there was a horrific explosion at the taxi office, which killed both Ann and her friend and co-worker, Sue Barker. So intense was the fire that resulted from the explosion that the women had to be identified through DNA. Sue Barker's husband, who was the owner of the taxi firm, was injured in the incident.

The deaths of those two women devastated the town of Immingham and the neighbouring village of South Killingholme. What should have been a time for families turned into a time of mourning for those communities. Hundreds of people attended the funerals of the women.

From our investigations, it appears that a container with 25 litres of petrol had been filled up and taken into the taxi office that Christmas eve and stored under the counter where Ann and Sue worked. Either an office gas fire or an electrical appliance provided the ignition source that led to the explosion.

Since that dreadful accident, I have been working with Ann Mawer's sisters, Sylvia Layton and Diana Ryan, to do all we can to ensure that no other person dies in such horrific circumstances. In a nutshell, the families are calling for the rules relating to fire safety to be toughened up. They also want harsher penalties for health and safety offences. They also believe that there needs to be far better training or education, so that people are aware of fire risks.

One of the main pieces of legislation governing fire safety is the Regulatory Reform (Fire Safety) Order 2005. That order brought together fire safety legislation into one document. It requires any person who exercises some level of control in premises to take reasonable steps to reduce the risk from fire and to ensure occupants can safely escape if a fire does occur. That responsible person is meant to carry out or to nominate someone to carry out a fire risk assessment, identifying all risks and hazards. They are meant to consider who may be specifically at risk. They are meant to eliminate or reduce the risk from fire as far as is reasonably practical and to provide general fire precautions to deal with any risk.

The responsible person is meant to take additional measures to ensure fire safety where flammable or explosive materials are used or stored. They are also meant to create a plan to deal with any emergency and, in most cases, to document the findings. The guidance states that achieving fire safety is often a matter of common sense, but that the person responsible will have to ensure that sufficient time is put aside to work through the necessary steps.

To help ensure that premises comply with the legislation, an online self-assessment form is available. I have concerns about that. I looked at that self-assessment form and it is easy to fill in, but I do not think that it does anything to make anybody aware of the risks that could be inherent in a particular workplace. Indeed, as I went through those documents, I could not see anything that appeared to prevent the storage of such an amount of flammable fuel in such a small, enclosed office space. I feel that this needs to be reviewed, and there are some questions I would like the Minister to address tonight.

First, are the laws regarding the storage of flammable substances such as petroleum in an office workplace robust enough? Should there be, for example, a prohibition on storing large amounts of petrol in confined spaces? Also, is self-assessment always sufficient? Can small and micro-businesses have the necessary knowledge—and, indeed, time—to self-assess the risk and act accordingly? Are the guidelines as they currently exist realistically enforceable? Is it sufficient to call for the use of common sense? I am sure that everybody will agree that one person's idea of what is sensible is not necessarily the next person's idea.

Following the inquest on 16 July this year into the deaths of Ann and Sue, the coroner, Paul Kelly, wrote to North East Lincolnshire council on 18 July. In that letter he stated:

"A jury has recently concluded that Ann Mawer and Susan Barker died as a result of an accident following an explosion at the Immingham service station."

That is where Fred's Taxis was located.

"The jury expressed a view that the public should be educated/re-educated on safety issues relating to purchase and storage of petroleum spirit—especially when domestic or office storage is involved.

Discussions with the police have resulted in a similar view being expressed.

Without being a complete or exhaustive list, general points raised include the fact that the legislation is dense, complex, and not readily understandable even to the trained eye; there appears to be no British Standard in respect of approved containers above a certain size; there are insufficient warning signs on garage forecourts as to the dangers of domestic carriage and storage and proprietors may have become complacent in observing self-service forecourts to identify possibly risky self-service and storage behaviour."

The council replied to the letter from Mr. Kelly on 24 July, stating that it agreed

"that public education would be useful"

and that it is looking to use the incident

"as a reminder to both sellers and purchasers of the dangers associated with petroleum spirit."

However, the council also agreed

"that the law around petroleum containers is unclear and in that respect unhelpful."

I certainly agree with that point.

I have been researching this issue along with relatives of Ann Mawer, and I think that there is contradictory and conflicting guidance about containers. On one hand, I read that according to the Dangerous Substances and Explosive Atmospheres Regulations 2002—DSEAR—there are no longer specific controls over the storage of petrol at workplace sites other than filling stations, yet on the other hand that workplaces need to comply with the requirements of DSEAR but do not need a licence. The legislation also seems to state—I would like the Minister to clarify these points—that workplaces no longer need to comply with regulations about containers. Yet it also states that no one should store more than 50 litres of petrol in a work room, and only then do so when it is

kept in a properly labelled metal cabinet or bin with spillage retention. Some of those points appear contradictory, and I should like the Minister's Department to look into making the guidance about what is and is not allowed much clearer.

I have also read that if a building is attached to a home or public place—I am not sure whether a taxi firm would be regarded as a public place—it is illegal to store more than 20 litres in two 10-litre metal containers. However, if plastic is used, no more than 10 litres can be stored, in two 5-litre containers. The House can see that there are several different amounts and types of container, and it is hardly surprising that people are not sure what they can and cannot do.

I have raised the issue with representatives of Humberside fire and rescue service, who have expressed their concern to me about people's ignorance and sometimes risky behaviour as regards the storage of flammable substances. Although fire deaths are declining among the general public, deaths among firefighters are increasing. They believe that that is partly due to poorly stored flammable substances that they are not aware of. We therefore need better training and education for employers about keeping employees safe. Diana and Sylvia have called for that as well as for an examination of whether the law is sufficient to prevent such accidents from happening in future.

Last week, on 9 October, I took Ann Mawer's sisters Diana and Sylvia to lobby the Minister responsible for health and safety, Lord McKenzie. The sisters put their case to him very powerfully and brought along a petition signed by more than 3,000 residents of the town of Immingham calling for an update in the law concerning the storage of flammable and hazardous substances in offices and workplaces. That shows the strength of feeling in our community about the loss of Ann and Sue in such tragic circumstances. Lord McKenzie indicated that he would examine the guidelines to see whether they could be updated to address our concerns. He has also agreed to meet us again when North East Lincolnshire council completes its investigation into the events of that day.

On penalties, I understand that the Health and Safety (Offences) Bill, introduced by my right hon. Friend the Member for Streatham (Keith Hill), had its Third Reading in the House of Lords on Friday and should gain Royal Assent shortly. The Bill will amend various aspects of the Health and Safety at Work, etc. Act 1974 to increase the maximum fines available for health and safety offences. It will also make a prison sentence an option for most health and safety offences, whereas at the moment it is available only for certain offences. It will also mean that offences that used to be tried in lower courts can be tried in either lower or higher courts.

As my right hon. Friend stressed when he spoke in support of those changes, there are nearly 250 work-related deaths a year in the UK, nearly 30,000 major injuries and well over 100,000 more minor injuries that keep people off work. As he put it, the Bill

> "will allow us to punish the criminally negligent who put life and limb in danger, deter those who attempt to cut costs by breaking health and safety law, and render justice faster and more efficient".—[*Official Report*, 1 February 2008; Vol. 471, c. 618.]

I hope that my hon. Friend the Minister will be able to tell me when he anticipates the Bill gaining Royal Assent and when it will come into force. If someone is charged with any health and safety breaches in relation to the deaths of Ann Mawer and Sue Barker, will they be tried under the old rules or the new? I hope that my hon. Friend and Lord McKenzie will work with Ann's family to identify where the law may be lacking and suggest changes that will increase workplace safety.

Each April in North East Lincolnshire, there is a workers memorial day to remember those who have lost their lives in the workplace. Wreaths are laid by families and friends and by public representatives to remember those who lost their lives in Immingham, in Grimsby and in Cleethorpes. The event in our area is organised by Immingham resident and Transport and General Workers Union member Nobby Styles, who has campaigned for the event to be recognised nationally. Next year, we who lay our wreaths every year will be joined by Sylvia and Diana, who will lay a wreath in memory of their sister, Ann. The memorial plaque in Immingham where we lay our wreaths is located just yards away from where the explosion took place last Christmas eve. I hope that my hon. Friend can look seriously at the concerns raised by the whole community.

10.15 pm

The Parliamentary Under-Secretary of State for Work and Pensions (Jonathan Shaw): I am sure that the whole House will commend my hon. Friend the Member for Cleethorpes (Shona McIsaac) for bringing this issue to its attention. Let me say how sorry I was to read about this incident, which resulted in the tragic deaths of Ann Mawer and Sue Barker. I am sure that all Members wish to express their deepest sympathy to the families of Ann and Sue.

My hon. Friend referred to a meeting that she had with my ministerial colleague Lord McKenzie last Thursday. She was able to meet Ann Mawer's sisters, Diana Ryan and Sylvia Layton, to hear their views on the incident and to discuss the legislation on the storage of petrol. My noble Friend has agreed to meet my hon. Friend and Sylvia and Diana once the legal proceedings that may follow have been concluded, in order to discuss their further concerns.

The fire and its cause have been investigated by North East Lincolnshire council under health and safety legislation, as enforcement responsibility for the taxi office premises in question falls to the local authority, not the Health and Safety Executive. As the council is still considering whether there should be any legal proceedings as a result of the incident, I am sure that you will understand, Mr. Deputy Speaker, as will my hon. Friend, that this evening I cannot go into specific detail about what happened. However, I hope it will be helpful if I outline the legislation covering the workplace and work activities in general, and specific legislation covering the storage and dispensing of petrol. I will then consider what we can do to remind people of all the dangers associated with petrol and how it should be handled.

First and foremost, all employers, regardless of their business, are required under health and safety legislation to ensure that the risks to their employees are avoided or reduced as far as is reasonably practicable. They also have a similar responsibility to avoid or mitigate risks to members of the public from any activity undertaken as part of their business. This primary legislation has been in force for more than 30 years. It forms the basis of

[Jonathan Shaw]

Great Britain's health and safety system and lays down the core principle that those who create risks are responsible for removing or controlling them. There is also further, secondary legislation that spells out in more detail what employers must do to meet their duties: the Management of Health and Safety at Work Regulations 1999, which explicitly require employers to carry out risk assessments and then act on them.

There is further specific legislation that deals solely with the health and safety risks from dangerous substances, including petrol. The Dangerous Substances and Explosive Atmospheres Regulations 2002 reinforce the general duties in the legislation that I mentioned earlier by specifying the need to eliminate or reduce risks from flammable substances, including, of course, petrol. It can therefore be seen that there is comprehensive legal coverage to ensure that employers working with highly flammable substances, including petrol, know that they have to assess the risks and take steps to eliminate or reduce the chance of accidents arising from their activities. This means that employers are not free just to store petrol in any way they want, but must do so safely. The workplace legislative regime is very relevant to the tragic circumstances that have brought us to the House this evening and, as I have noted, the enforcing authority is still considering the compliance with these requirements in respect of this accident.

I should add that all this legislation is supported by published HSE guidance, including information available on the HSE's website, aimed at making it clear what is required of employers and providing advice on how they might go about doing what is necessary. For example, the HSE has published free leaflets on fire and explosion risks in the workplace and on working safely with flammable substances aimed at giving small businesses advice on the relevant legislation and on the control measures that are necessary. More comprehensive, priced guidance is also available, including an approved code of practice on the storage of dangerous substances.

The HSE also recognises that to small businesses the legal framework may sometimes appear complex and may divert attention from the key actions that they need to take to manage their health and safety needs effectively. So, to help small businesses focus on key risks likely to cause injury or harm, the HSE has produced simplified, straightforward guidance, such as its "Five steps to risk assessment", and example risk assessments available on its website.

Finally, on the legislation in this case, there is safety law that applies specifically to petrol filling stations. The Petroleum (Consolidation) Act 1928 sets out a well established regime designed to ensure that all activities relating to the storage and dispensing of petrol at filling stations are undertaken safely. It does that through a licensing regime whereby any petrol station operator must hold a licence from the local petroleum licensing authority, which is usually the fire authority or the local authority—in this case, it is North East Lincolnshire council's trading standards service. Petroleum licensing authorities can and do place conditions on licences, requiring or prohibiting anything that they think expedient to the safe storage or dispensing of petrol.

To bring about consistency around the country, licensing authorities have agreed a national set of conditions, which they are all encouraged to apply. One of the conditions lays down the types of portable containers that can have petrol dispensed into them at petrol stations. In essence, they are: metal containers meeting certain prescribed constructional and labelling requirements and not exceeding 10 litres in capacity; plastic containers that also meet certain prescribed constructional and labelling requirements and not exceeding 5 litres in capacity; demountable fuel tanks of motor boats or similar vessels, or containers approved under the United Nations packaging scheme for carrying petrol in containers by road. Again, I believe that the law, as applied in this country, is clear on the types of containers that can be filled at petrol stations.

It may help my hon. Friend to know that the Petroleum (Consolidation) Act also regulates non-workplace storage of petrol—storage in domestic property or private clubs and the like, where there is no employment. That covers what you or I, Mr. Deputy Speaker, can keep in our home, shed, garage or similar location. In essence, for anything other than small amounts of petrol, similar licence requirements as for petrol stations apply. However, in recognition of the fact that many people need to keep small amounts of petrol as emergency supplies for cars, or for petrol powered equipment such as lawn mowers, there are exemptions from the need for a licence in certain circumstances. In general, those allow for the storage in domestic premises of no more than two 10-litre metal vessels and two 5-litre suitable plastic vessels. In the latter case, "suitable" is legally defined and essentially means constructed of appropriate plastic material, with a capacity of no more than 5 litres and appropriately marked.

Those are sensible requirements on domestic and other non-workplace premises to allow reasonable access to petrol while ensuring that no one stores larger quantities of petrol in premises not suited to such an activity. Anyone who did so would, of course, endanger not only themselves but neighbouring property and people who would be affected in the event of a spillage or fire.

The Government do not necessarily see additional regulation as the solution to all problems. Indeed, there might often be more of an issue about the level of compliance with existing regulations. Awareness of the law and guidance is therefore also important and I understand that my noble Friend Lord McKenzie has asked the HSE to liaise with a body known as the petroleum enforcement liaison group, which is made up of representatives from enforcing authorities—the experts who deal daily with these issues on the ground— and representatives of the petrol industry to consider the factors involved in this tragic incident, with a view to getting the relevant messages and lessons that need to be learned across to people who have duties under the various petrol-related legislation. My hon. Friend raised a number of points this evening and I will ensure that my noble Friend reads the debate and answers her in full, which I am sure he will be pleased to do.

The Government believe that the law covering the storage of highly flammable liquids, including petrol, is well established and has contributed to an extremely low level of accidents over many years. However, I agree that we must never be complacent. Any tragedy such as the one that has been brought before the House this evening should make us think again about what else can be done to avoid such accidents and incidents in future. I am most grateful to my hon. Friend for raising the

case. Once again, I express my deepest sympathies to the families of the two ladies involved.

Throughout our careers in the House as constituency MPs, we are each touched by tragic cases among the people we represent. It is our duty to do everything we can to support families in such circumstances. Normally when one begins an Adjournment debate, one congratulates the hon. Member, but I did not do so because I did not think that "congratulate" was an appropriate word to use in this case. I commend my hon. Friend for bringing the case to the House and for the work that she has done on behalf of her constituents. She has described the pain that has been felt in the communities of Immingham and South Killingholme. She has performed a good service for her constituents this evening and I know that she will continue to pursue the case. That is the right thing for her to do, given the tragic circumstances in which the two ladies lost their lives.

Question put and agreed to.

Adjourned accordingly at twenty-seven minutes past Ten o'clock.

House of Commons

Tuesday 14 October 2008

The House met at half-past Two o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

COMMUNITIES AND LOCAL GOVERNMENT

The Secretary of State was asked—

South-west Spatial Strategy

1. **Mr. David Drew** (Stroud) (Lab/Co-op): If she will intervene to ensure that site-specific recommendations are deleted from the regional spatial strategy for the south-west with particular reference to Whaddon in Gloucestershire. [226336]

The Secretary of State for Communities and Local Government (Hazel Blears): Before I reply to my hon. Friend's question, I should like to place on record my thanks to my right hon. Friend the Member for Don Valley (Caroline Flint), who did a tremendous job as Housing Minister in the Department. I wish her well in her new role as Minister for Europe. I also thank my hon. Friend the Member for Gloucester (Mr. Dhanda) for his excellent work on community cohesion and for looking after the fire service. I welcome my right hon. Friend the Member for Derby, South (Margaret Beckett) to her new role as Housing Minister, and the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Tooting (Mr. Khan), who will both be valuable members of our team.

The regional spatial strategy does not identify specific sites. It does, however, identify areas of search, which are broad directions of growth for the region's key cities and towns. That approach is consistent with national policy on regional spatial strategies set out in PPS11, which follows published national guidance on regional spatial strategies.

Mr. Drew: I thank my right hon. Friend for that and I will be gentle with her, which we were not in last week's debate with the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Hartlepool (Mr. Wright), who had a slightly difficult time. If we consider the recommendation for Whaddon, which my hon. Friend the Member for Gloucester (Mr. Dhanda) and I have strongly opposed, it does not take a genius to work out that its allocation within the RSS is clearly site-specific. It is important that we look at the process again, and I hope my right hon. Friend will take that back. There are other issues to do with the RSS, but this is a specific issue between Gloucester and Stroud and one that could undermine the whole process.

Hazel Blears: I am aware that my hon. Friend has been exercised about the matter for some time. I have had the opportunity to read the debate in Westminster Hall to which he and a range of other hon. Members contributed. As I said, the RSS is not about specific site designations, but I take his point in relation to this area of search. It is important that the local authorities are able to shape housing decisions in the interests of their community without the RSS being site-specific. He makes a good point, which I will take into consideration.

Mr. Laurence Robertson (Tewkesbury) (Con): The Secretary of State referred to the debate in Westminster Hall last week. Is she aware of the strength of opposition among Members of all parties and in great numbers to the RSS in terms of the process, its complexity, the proposals themselves, housing numbers, and the total disregard for issues such as flooding? Given that so many hon. Members are united against the RSS, will she take those views into account?

Hazel Blears: I read all of the debate so I am aware of the various issues that hon. Members raised, and I am delighted that they had the opportunity to do so. I also read the robust response by my hon. Friend the Under-Secretary. There is an opportunity for Members to have their say; the consultation runs until 24 October. There have been at least three debates in which many Members have had an input into the process. There is always a debate about housing numbers, but despite the current economic difficulties that we face, we need more homes for our population. If we are also to get affordability into the system, the answer is increased supply.

Alison Seabeck (Plymouth, Devonport) (Lab): My hon. Friend the Member for Stroud (Mr. Drew) has sought deletions from the RSS. We are seeking to reinstate something that has been deleted. We are very concerned that the phrase relating to Plymouth specifically as an "economic hub" for growth in the south-west has been removed. That could have serious implications for our growth strategy, and I would welcome my right hon. Friend's comments on the reason for the change in emphasis in the RSS specific to Plymouth.

Hazel Blears: I am grateful to my hon. Friend for raising the issue. Plymouth has been an engine for growth and will continue to be. It has some award-winning regeneration projects driven by the local Members of Parliament, who have done a tremendous job in making a difference. I am also aware that my hon. Friend the Member for Plymouth, Sutton (Linda Gilroy) conducted her own inquiry into housing provision in the Plymouth area. She gave me a copy of it earlier this year and I was delighted to receive it. There is a great deal of innovation in that area, particularly solutions involving community land trusts and mutual ownership. I take the point that my hon. Friend the Member for Plymouth, Devonport (Alison Seabeck) makes about ensuring that Plymouth, together with other centres, continue to be the engines of growth in the area. I will look carefully at the representations that she has made to me.

Council Housing

2. **Bob Russell** (Colchester) (LD): What estimate she has made of the number of council houses to be built in 2008-09. [226337]

The Minister for Housing (Margaret Beckett): The Government have announced their intention to change the revenue and capital rules that apply to new council homes in order to remove financial disincentives to new build by local authorities. On 2 September, the Secretary of State announced that we will invite local authorities that continue directly to manage their stock to compete for grant on the same terms as those with special purpose vehicles. In 2007-08, 310 homes were built by local authorities. However, the Government do not publish forecasts for house building.

Bob Russell: Hundreds of thousands of children are living in accommodation that is deemed unsuitable for them and their families, and that is a direct result of 25 years of failed housing policies by successive Governments who have refused to allow council houses to be built. Given the collapse of the housing market, if the new private estates are not going to be built, nor will the so-called social housing, 25 or 30 per cent. of which has planning agreement. If the Government can find billions to bail out bankers, why can they not find sufficient money to build the family council houses for those hundreds of thousands of children who are inadequately housed?

Margaret Beckett: I understand and sympathise with the hon. Gentleman's concern for families who are being brought up in inadequate homes, but the demand does not all have to be met through council housing. We will be happy to see a greater expansion of provision by councils, but many other bodies have been providing social and other housing, and the Government have had a substantial long-term programme for decent homes in whatever sector they are found. I doubt very much whether all the children he is talking about are necessarily in the social housing sector. We have an £8 billion programme over the next two or three years. I understand his concern for what may be happening in the housing market today, but I do not think that he can say that this Government have not done a great deal to address the problems.

Kelvin Hopkins (Luton, North) (Lab): In Luton, 8,500 families are on the housing waiting and transfer lists, of whom 6,500 are on the waiting list. This is a crisis by any standards. At the same time, we are still required to sell council houses, and Luton has dozens of empty flats that are now unsaleable. Will my right hon. Friend give serious consideration to stopping the sale of council houses for good in Luton, and to allowing local authorities to buy all those unrented flats?

Margaret Beckett: I would certainly be reluctant to say that we would stop the sale of council houses, but I completely understand my hon. Friend's basic point. We have a substantial imbalance throughout the country between housing need and what can be supplied, but he will probably know that one of the announcements in September was of a programme for purchase through the Housing Corporation, and if there is need, it can consider expanding that programme. I can assure my hon. Friend that we are looking at all aspects of housing policy to see what more can be done to meet the need.

Sir George Young (North-West Hampshire) (Con): I warmly welcome the right hon. Lady to her new post and wish her all the best in the challenges that lie ahead. On council house building and other building, can she confirm that the Government will make a major policy statement in the near future saying how they will get the housing market going again?

Margaret Beckett: I am grateful to the right hon. Gentleman for his kind remarks. We have already made a number of statements about various steps that can be taken to address different portions of the housing market. We are continuing to look at that to see what more can be done, but what is fundamentally needed are the kind of steps that the Chancellor and the Prime Minister have taken of late to try to stabilise the economy as a whole, within which housing is a key factor.

Mr. Lindsay Hoyle (Chorley) (Lab): Will my right hon. Friend look into the situation where thousands are on waiting lists for social housing, yet local authorities such as Chorley are failing to meet the social housing numbers that they are meant to provide? What actions can she take to ensure that those local authorities do not forget that they have a responsibility and that it is taken seriously?

Margaret Beckett: As my hon. Friend will be aware, all local authorities are required not only to take their responsibilities seriously but to have proper plans to meet them. I assure him that when we come, as we are doing, to reassess the position with regard to both need and supply, what is being done and whether people are meeting their obligations is one of the factors that we shall be looking at very carefully.

Grant Shapps (Welwyn Hatfield) (Con): I also extend a warm welcome to the right hon. Lady to her new post. Does she agree with the Prime Minister's unusually candid comments yesterday to Reuters about housing and the lack of it, when he said:

"we failed over many years to build enough houses to meet the need that was there"?

As the third Housing Minister whom I have faced across the Dispatch Box this year, will she tell us what she will do to reverse that policy failure?

Margaret Beckett: Perhaps the hon. Gentleman should take note of the fact that the Prime Minister was talking about a period of a substantial number of years. *[Interruption.]* Indeed, the level of need—and the gap between that need and supply—has built up over a very substantial period. Of course, more still needs to be done. However, as I pointed out a few moments ago, we have a £8 billion programme, particularly for affordable housing, over the next three years.

I am, of course, new to this post and I have not yet had the opportunity to study the hon. Gentleman's remarks as closely as I assure him I will—I am grateful to him for his kind remarks, by the way. However, my understanding is that the only policy that the Conservative party seems to have is to oppose any proposals for further housing wherever they are put forward.

Mr. Denis MacShane (Rotherham) (Lab): I welcome my right hon. Friend to her new job; when the message "Beckett is back" went out, there was a huge cheer, because few Ministers have had as much grip as she did during her previous time in the Government.

Last year in Yorkshire, two and a half times as many social dwellings run by councils were sold as were let. I invite my right hon. Friend, the Conservative Front Benchers and the hon. Member for Colchester (Bob Russell) to consider whether the sacred cow of the right to buy might now need some revisiting. We are in the business of burying Thatcherism; perhaps the right to buy is one sacred cow that might be considered for the sacrificial block.

Margaret Beckett: I am grateful to my right hon. Friend for his kind remarks. I take his point about the scope of letting; one of the issues that we are looking at is the allocation of council housing. However, I say to him with great respect that I would rather tackle the problem by making sure that we provide more homes than by removing the right to buy.

Empty Properties

3. **Stephen Hammond** (Wimbledon) (Con): What assessment she has made of the effects of changes in empty property business rates on the property market. [226338]

The Minister for Local Government (John Healey): We published an impact assessment of the empty property reforms in May 2007 alongside the primary legislation. On 26 February this year, I laid a further assessment before the House, alongside the regulations.

Stephen Hammond: I thank the Minister for that answer, but he will be aware that since February this year there has been a slump in the economy and that commercial property vacancies have risen. The Secretary of State hinted that she would again consider the policy of empty property business rate relief. Would the Minister care to say whether the Government are now doing that?

John Healey: I welcome the hon. Gentleman's interest in this issue, although he has not raised it with me before. As he would expect, we are assessing how the reforms are working, as we do with all taxes. As it happens, my lead official is a constituent of his; I have asked that official to keep a particularly close eye on any developments in Wimbledon.

Mr. Eric Illsley (Barnsley, Central) (Lab): In my local area the economy has also taken a downturn. Although I welcome the empty business property reliefs as a measure for putting such buildings back into use, at the moment the business community is saddled with empty properties that it cannot develop and sell. Will the Minister consider the matter again urgently?

John Healey: My hon. Friend is right; the rationale for the change was to encourage more property owners to resell, redevelop or re-let more rapidly and to avoid the situation of the taxpayer funding to the tune of £1.3 billion a year owners whose properties were empty. Clearly, owners' circumstances and the reasons why properties lie empty vary, but as my hon. Friend would expect, we are looking closely at the issue, with local government and the Valuation Office Agency. We want to see how this is working in practice.

Mr. Brian Binley (Northampton, South) (Con): The Minister will know that many of those empty commercial properties are owned by small businesses. Bearing in mind the Chancellor's remarks about helping small businesses, will the Minister urge the Chancellor to give special relief to small businesses in respect of this matter, to help them over the difficult two or three years to come?

John Healey: I have had representations and heard arguments from virtually every area, sector and type of organisation that they should be considered a special case. When we introduced the changes to empty property relief we decided not to go down that road. We are watching carefully how the process is working and trying to assess its impact, but it is difficult to do so while disentangling it from the general economic changes. We are looking at the matter closely, and my right hon. Friend the Chancellor and every member of the Government are concerned about the position of small firms at this time, and to see that the Government do all that they can to help them through this difficult period.

Mr. David Crausby (Bolton, North-East) (Lab): Empty property rate relief was introduced in entirely different financial circumstances, so will my hon. Friend not at least consider relaxing the rules during the economic downturn in order to prevent the wholesale demolition of perfectly good industrial premises, particularly the old cotton mills of the north-west of England?

John Healey: There is not systematic evidence of what my hon. Friend describes as wholesale demolition of empty business properties. Some examples have been thrown up by local councils and the British Property Federation. We are looking at those as part of the general picture on how the changes are working, and will take them into account. As we do so, we will take any necessary decisions. I do not want to raise expectations, but those who followed the legislation will know that there is provision for the Government to reduce the level of the tax, should it be required, and introduce a level of relief. However, we are looking carefully at how the process is working and we will continue to do so with the Valuation Office Agency and with local government.

Robert Neill (Bromley and Chislehurst) (Con): I congratulate the Minister on his appointment to the Privy Council, which I am sure we all regard as well deserved. That said, perhaps he would like to reflect on the following. He says that representations against the current situation are widespread. His colleague, the Secretary of State, is reported in the *Local Government Chronicle* as observing that the tax is no longer hitting the right buttons. This initiative was brought in by the Prime Minister when he was Chancellor. Is it not time to recognise that it has created unexpected and perverse incentives? For example, a council such as Swindon would be out of pocket on regeneration sites to the tune of £110,000 if it does not demolish. Does the Minister accept that figures provided by two of the leading property companies show that they are demolishing more already this year than they did in the whole of last year? Does the Secretary of State not need to reflect that the Government mucked up on this one? What is wanted is not a study or an impact assessment but some action.

John Healey: I thank the hon. Gentleman for his kind remarks—I knew that they could not last, but I appreciate them.

I say to the hon. Gentleman and the property companies that he cited that we would welcome any information or evidence that they wish to submit to us. We are in discussion with the main property companies and associations, just as we are with local government. Because it is still early days, we are assessing how the empty property relief changes may have worked. We are doing so in the context of a changing economy, and we will bear all of that in mind as we continue to do that work.

Dr. Stephen Ladyman (South Thanet) (Lab): Thanet has far higher than average unemployment, and I can tell my hon. Friend that this policy, which was devised in different times and for different circumstances, is having a perverse effect in our area. Developers are talking about demolition, and the possibility of speculative build is absolutely zero at present. I would like to add my voice to those calling for general action on this issue, but if my hon. Friend is not able to take action everywhere in the country, could he at least look at some sort of abatement for areas of high unemployment or assisted areas, where we are suffering more than normal?

John Healey: My hon. Friend will be aware that in assisted areas we introduced 100 per cent. capital allowances for the renovation and reuse of commercial property, and we did so a year ahead of the changes to the empty property relief. We are conscious of the position that slower markets, shall we say, and more disadvantaged areas may be in.

I accept my hon. Friend's representations, but the liability on empty properties for business rates is not new—it was introduced by the Local Government Act 1966. It is important for the Government to decide how best to target and deploy resources, particularly in circumstances where economic conditions are difficult. These changes meant that we reduced by almost £1 billion the liability to other taxpayers of supporting the owners of empty property to keep such property empty. We have not removed the relief altogether; we have reduced the period, in order to encourage them to resell, re-let or redevelop more rapidly.

Sharia Law

4. **Mr. Hugo Swire** (East Devon) (Con): What recent assessment her Department has made of the implications of sharia law practices for community cohesion. [226339]

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Sadiq Khan): Community cohesion is about building better relationships between people from different backgrounds, including those from new and settled communities. The use of religious courts, such as sharia councils, to resolve private family and contractual disputes is well established, and in itself does not have an impact on community cohesion. It is, however, important that all practices are compliant with our framework of equality legislation, as equality is essential in the underpinning of cohesion.

Mr. Swire: I congratulate the Minister on his debut on the Front Bench in his new role. He said over the weekend that he would be

"very concerned about sharia courts applying in the UK."

Presumably no one had told him that last year the Government licensed a whole lot of what they call Muslim arbitration tribunals. I appreciate that their powers are limited, but they are presided over by sharia judges and are therefore, in effect, state-licensed sharia courts. Is the Minister satisfied that individual women in particular who come before such courts will do so voluntarily in every case?

Mr. Khan: I thank the hon. Gentleman for his question, but I wish that he had read the entire quotation. For the avoidance of any doubt, I tell the House that sharia law has no jurisdiction in England and Wales, and there is no intention to change that. His point about women is one that I referred to in the answer that I gave a minute and a half ago. We are conscious of the fact that all sharia councils should abide by equality legislation. That is at the core of cohesion.

Mrs. Ann Cryer (Keighley) (Lab): Is my hon. Friend aware that only two of the eight mosques in my constituency are registered for marriage? Therefore, there can be problems, as couples are married in sharia law, but not in the law of this country. Sometimes there are problems—if the marriage breaks down and a settlement needs to be arrived at about the division of assets, for instance, where the woman can be let down by a sharia judge. Can my hon. Friend's Department do anything to encourage mosques to register for marriage, so that those marriages take place within the law of the land?

Mr. Khan: I thank my hon. Friend for her question. She has huge experience of what is a serious issue. For the avoidance of doubt, the Marriage Act 1949 provides for mosques to be registered for the solemnisation of marriages according to the rites of the Muslim religion. There are certain conditions that need to be satisfied, and they are recognised in law without the need for a civil ceremony. Where a mosque is not registered, such as six of the eight mosques in my hon. Friend's constituency, a separate civil ceremony is necessary. Otherwise, the spouses of the religious marriage are treated the same as common-law wives and therefore can be disadvantaged. It is really important that they seek advice where they can and that we encourage civil contracts where, for whatever reasons, civil ceremonies are not registered. However, it is just as important that we advise mosques to become registered. That will give women the protection that they need.

Paul Rowen (Rochdale) (LD): I understand that as part of the Government's community cohesion policy the Minister has started working with mosques to teach citizenship. Could he enlighten us on what his Department is doing to bring mosques more into the mainstream and get them involved, such as through the registration that the hon. Member for Keighley (Mrs. Cryer) talked about?

Mr. Khan: I thank the hon. Gentleman for his question. I know that he takes a keen interest in these matters in Rochdale. He will be aware of the setting up of the

Mosques and Imams National Advisory Board—MINAB—with which we are working, along with communities and religious organisations, to improve how mosques operate. A good mosque is like a good church, a good synagogue, a good temple or a good gurdwara: it can be the hub of a local community and make it more cohesive. We are working with faith leaders to ensure that their mosques can use best practice from around the country, so that citizens in Rochdale—Muslims and non-Muslims—can be best served by good mosques.

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): Last weekend, I was at the big Eid celebration in Bletchley in my constituency. There was a stall there giving information on Islamic mortgages, which are consistent with sharia law. In the current economic climate, such mortgages—which are, of course, available to non-Muslims as well as to Muslims—seem to be quite a good model. Is not this an example of a practice designed for only one community which could benefit the whole community and which could be accommodated in UK law?

Mr. Khan: I thank my hon. Friend for her question. She will be aware that, in consecutive Finance Bills, the Government have allowed Islamic finance to take place in this country. She makes the important point that sharia law is not, as is perceived by the media, just about cutting off hands. It covers Islamic finance, worshipping, and how one dresses and eats. She is absolutely right to say that ethically friendly mortgages—Islamic finance mortgages—are products that are now being taken up not only by more Muslims but by non-Muslims as well.

Mr. Paul Goodman (Wycombe) (Con): We welcome the Minister to his new post. We also send our best wishes to his predecessor.

Over the weekend, the Minister was quoted as saying, in relation to sharia courts:

"At some stage in the future I do not rule out the possibility that the Muslim diaspora in this country may be advanced enough".

That must mean either that he did not know about the Muslim arbitration tribunals or that he thinks that, eventually, their powers could be extended. To clear all this up, will he write to me listing exactly when these tribunals were approved, who approved them, who was consulted, who the judges are, what cases have been heard, and exactly what measures are in place to protect women? And will he place a copy of the letter in the Library?

Mr. Khan: I thank the hon. Gentleman for his warm words. I am disappointed that somebody of his experience does not know the areas covered by the Ministry of Justice, and those covered by the Department for Communities and Local Government. He will of course be aware of the matter from the copy of the letter given to him by the shadow Home Secretary, the hon. and learned Member for Beaconsfield (Mr. Grieve), to whom the Home Secretary wrote on this issue. As my contacts with our Front Bench are clearly better than the hon. Gentleman's contacts with his own Front Bench, I will ensure that the right Minister writes to him to give him the information that he has requested.

Regional Policy

5. **Andrew George** (St. Ives) (LD): What recent discussions she has had with Cabinet colleagues on co-ordination of Government policy for the regions. [226341]

The Secretary of State for Communities and Local Government (Hazel Blears): I have ongoing discussions with Cabinet colleagues on the co-ordination of Government policy for the regions.

Andrew George: I am grateful to the Secretary of State for that response. There is now apparent cross-party consensus that it is better that decisions taken locally and regionally are taken democratically rather than by Government appointees. Bearing in mind the obvious vacuum that has existed since the north-east referendum nearly four years ago, will the Secretary of State now welcome proposals from local partners in any part of the country that will provide a route map to allow regional decisions to be taken democratically?

Hazel Blears: Yes, I am well aware of the hon. Gentleman's long-standing record on campaigning, particularly in relation to Cornwall and to the convention in Cornwall. He is right to say that there is a recognition that decisions are best made at the appropriate spatial level in our country, where we can actually get practical change. That applies to planning matters, as well as to regional economic issues. He is also right to say that there is a gap in terms of accountability at regional level. We are taking a number of measures to address that, involving regional Ministers, regional Select Committees, and the scrutiny of regional organisations. He will also be aware of the multi-area agreements that we signed in the summer. These allow democratically elected local authorities to have a bigger say on planning, transport, housing and skills, which are significant issues in our country.

Andrew Mackinlay (Thurrock) (Lab): I do not want to be unhelpful or unkind—*[Interruption.]* Seriously. Will the Minister tell us what the regional Ministers do, bearing in mind that, when I tabled a written parliamentary question asking what my regional Minister did or intended to do, the Secretary of State answered it? There is no scrutiny, and I genuinely do not know precisely what they are supposed to do. We are now told that there are to be assistant regional Ministers as well. Those of us in the minority who have never been invited to do anything are beginning to wonder what we have done wrong. I want to know what the link-up is between these regional Ministers and housing and communities. We do not know, and we apparently have no opportunity to ask questions. Why not? There is a problem of so-called "joined-up government" in relation to the Thurrock urban development corporation, which is part of a key Government policy. I want to address the person who can answer—

Mr. Speaker: Order. Can the Secretary of State manage an answer to that?

Hazel Blears: I may be forgiven for my heart sinking when my hon. Friend said that he did not wish to be difficult, but—yet he asked a pertinent question. He is

right that there should be wider awareness of the role of regional Ministers. I think that regional Ministers have done some excellent work across the country over the past few months as regional champions for their areas—*[Interruption.]* Hon. Members might not take regional issues seriously, but if they were genuinely in touch with the issues being raised in their communities they would know that regional Ministers have helped to bring together the regional development agency and the strategic health associations—and have made a difference. To my hon. Friend, I would say that the Government may not have utilised his talents sufficiently in the past—

Andrew Mackinlay: That has its price.

Hazel Blears: I do not think that I can afford my hon. Friend. Very shortly, however, he will see greater recognition of the role of regional Ministers with the establishment of the regional Select Committees, providing the opportunity to question regional Ministers, which is exactly what he is looking for.

Mr. David Curry (Skipton and Ripon) (Con): Regional development agencies, which are extremely patchy in quality throughout the company, are with the disappearance of the regional assemblies soon to acquire significant new powers, notably in housing, yet it is very difficult to assess the quality of outputs from the development agencies. How do we assess whether a job has been created or a job safeguarded—two of the most popular claims of the regional development agencies? What will the Secretary of State do to enable us to develop a proper methodology with which to judge the value for money of the regional development agencies, as this is contested, and to make sure that accountability goes beyond local council chiefs being filed in for the occasional audience?

Hazel Blears: The right hon. Gentleman, as ever, makes a good point from an informed perspective. We shall shortly respond to the consultation on the sub-national review, the results of which he is perhaps pre-empting. I promise him, however, that the results will be available soon. He is right that we need to bring regional development agencies and local authorities together to ensure that we have an integrated view of housing, planning and economic development.

I believe that many regional development agencies have made a very positive contribution. The response to the recent flooding of some of our regional development agencies, along with their local councils, was extremely impressive. If we look at the number of jobs created across the country through the good investment decisions of the RDAs, we clearly see that they have been good for this country. The right hon. Gentleman is right that there is more work to be done to ensure that we have better accountability and better scrutiny, but the RDAs' role has been crucial in building the economy over these past few years.

Mr. Neil Turner (Wigan) (Lab): My hon. Friend the Member for Thurrock (Andrew Mackinlay) made a good point in saying that regional Ministers are not yet subject to sufficient scrutiny by the House. Does my right hon. Friend agree that regional Select Committees are absolutely vital to that scrutiny, and can she give us some indication of when they are likely to be set up?

Hazel Blears: My hon. Friend is right. He has taken a tremendous interest in regional matters, particularly those regarding the north-west. I think that regional Select Committees will provide better scrutiny—the ability to question regional Ministers about their work is essential. I can tell my hon. Friend that those Select Committees will be set up very soon, although I cannot give him a specific date here today. I realise that he is pressing to ensure that they are.

Sir Patrick Cormack (South Staffordshire) (Con): Will the Secretary of State tell us how these Select Committees will be manned and where the Clerks who are to serve them will be found? This is the most appalling piece of meaningless window dressing that the House has been presented with for a very long time.

Hazel Blears: As the hon. Gentleman will know from his extensive parliamentary experience, the regional Select Committees are a matter for the House, and their establishment is being considered by the Modernisation Committee—again, on an all-party basis. He need only have listened to the contributions that have been made today to appreciate that Members in all parts of the House want more scrutiny of regional affairs and a closing of the accountability gap in relation to regional matters, and I believe that that view has widespread support throughout the House.

Mrs. Louise Ellman (Liverpool, Riverside) (Lab/Co-op): Has my right hon. Friend considered the impact of retrospective rate increases, backdated by three years, on businesses in the port of Liverpool in the context of regional maritime policy?

Hazel Blears: I am very conscious of that issue. Meetings are taking place as we speak to assess the impact and establish what steps might be taken. My hon. Friend raises an important point, particularly in relation to retrospection, and I will undertake to keep her informed as the discussions continue.

Mr. James Gray (North Wiltshire) (Con): It would be interesting to hear what discussions the Secretary of State has had with her right hon. Friend the Secretary of State for Environment, Food and Rural Affairs about the perverse effect that the regional spatial strategy for the south-west may have on an area of outstanding natural beauty in my constituency, given its requirement for 48 new pitches for Gypsies and Travellers in the constituency. The planning inspectorate decided last week in the Minety case that Gypsies may set up their caravans anywhere they please until such time as the county provides that imaginary number of sites. What is the Secretary of State going to do about the perverse effect on the countryside?

Hazel Blears: The hon. Gentleman will be aware that if appropriate plans are in place to enable Gypsy and Traveller sites to be organised properly, that is far the best option. When no plan is in place, we must often resort to enforcement action, which is more costly, takes more time, and has a bigger impact on the area concerned.

The hon. Gentleman asks whether I have talked to my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs about the issue. I have not talked to my right hon. Friend about the

specific issue in the hon. Gentleman's constituency, but I think he is as aware, as I am, that proper planning for Gypsy and Traveller sites is far the best way of dealing with such matters.

Sir Peter Tapsell (Louth and Horncastle) (Con): To what extent have the Treasury and the Secretary of State's Department been co-ordinating the advice given to the regions and to local authorities about their investment policies? Given that the credit rating agencies have been drawing attention to the weakening financial position of the Icelandic banks since February 2007, and that many months ago Moody's downgraded them to a BBB rating—extraordinarily low for a western bank—how has it come about that local authorities have apparently lost vast sums of council tax payers' money?

Hazel Blears: Perhaps he has other sources, but the hon. Gentleman may be referring to a report in *The Daily Telegraph* about the credit rating agencies' assessment of the banks. That depiction is not wholly accurate, and I am sure that when he sees the full picture the hon. Gentleman will recognise that for a considerable period the credit ratings were relatively high in terms of local authority investments.

The guidance that we issued in 2004 tells local authorities that they must give priority to security and liquidity, and that only in that context must they look for where they can obtain the highest return. I consider our guidance to be entirely prudent and responsible. Local authorities that have followed it and ensured that they spread their investments, while at the same time prioritising security and liquidity, will have made good and well-informed investment decisions.

Permitted Development

6. **Dr. Vincent Cable** (Twickenham) (LD): What her policy is in relation to permitted development rights in the planning system; and if she will make a statement. [226342]

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): The Government's policy is to use permitted development rights to streamline the planning system, thereby assisting householders and local authorities alike, and to encourage sustainability.

Dr. Cable: Does the Minister agree that one of the significant factors behind the concreting of gardens, which has become a highly emotive issue in suburban constituencies, is the gradual encroachment of permitted development? Does he think that it would be useful to take a fresh look at the balance to be struck between the understandable wish of people to improve their property and the wider environmental impact?

Mr. Wright: The hon. Gentleman makes a good point. I know that his constituency was affected by last year's floods, and I pay tribute to the emergency services, local authorities and others in pulling together to address them. He rightly raises the point about balance: there is a balance to be struck in making sure that householders are able to improve their homes without bureaucracy. That frees up a lot of bureaucracy within the local authority system, and it helps encourage, as much as possible, sustainability. Those are the principles behind the permitted development rights we have introduced for impermeable surfaces for front gardens, and I am keen to look at their application to rear gardens as well.

Dr. Alan Whitehead (Southampton, Test) (Lab): I congratulate the Government on introducing measures to include microgeneration in general permitted development order arrangements. Does my hon. Friend intend to bring all microgeneration under that order, and thereby end the current anomaly whereby some are included while others await inclusion?

Mr. Wright: Yes, and I pay tribute to my hon. Friend for his work on environmental improvements. On 6 April, we provided permitted development rights with regard to microgeneration with one or two exceptions—most notably wind turbines, because of noise issues. The balance to be struck between neighbours' interests and the ability to improve one's own home is key. I hope we can extend as much as possible permitted development rights to ensure we can reduce as much as possible the carbon footprint from homes.

Sir Nicholas Winterton (Macclesfield) (Con): Is the Minister aware that many local authorities and their planning committees are deeply concerned about these permitted development rights, and that many villages—such as Mottram St. Andrew and Prestbury in my constituency—are having their environment gravely damaged by the concreting over of gardens, the cutting down of mature trees and the building of massive mansions by footballers and cricketers? Is he not aware that if we are to protect our environment, the permitted development rights need to be strictly regulated? I hope he will respond positively to that observation.

Mr. Wright: Local authorities are very much in the driving seat. They are able to put measures in place, such as through planning policy statement 3 on housing development that is available in their area. My feeling from speaking to councils is that local authorities want to see this; it will stop the clogging of the planning system and it will remove about a quarter of all planning applications, most of which are non-contentious. Local authorities decide the rule. If they want to extend permitted development rights, they can do so through a local development order. Conversely, if they want to restrict them, they have an article 4 direction to allow revision.

Topical Questions

T1. [226361] **Mrs. Siân C. James** (Swansea, East) (Lab): If she will make a statement on her departmental responsibilities.

The Secretary of State for Communities and Local Government (Hazel Blears): I normally do not make a statement on departmental responsibilities, but I am delighted to welcome our new team to deal with matters across the piece, including local government planning, housing, regeneration and community cohesion.

Mrs. James: Will the Secretary of State provide assurance that assistance given to local authorities and councils in England with their investments in Icelandic banks will also apply to Wales?

Hazel Blears: My hon. Friend raises a point that concerns all Members and all local authorities. We are working extremely closely with the Welsh Assembly Government and the Welsh Local Government Association. We had a meeting last week with the latter, and we plan to have another meeting tomorrow at which the Under-Secretary of State for Wales will be present. We will keep in close contact and make sure that the information and the way in which we can provide support and assistance is shared between us.

Mr. Eric Pickles (Brentwood and Ongar) (Con): The right hon. Lady just admitted that no investment advice had been issued to local authorities since 2004, and that the advice on Icelandic banks remained that they were good until almost the end. Perhaps she has inadvertently forgotten that, Arlingclose, the financial advisers, was advising its clients and local authorities to avoid Icelandic investments. Why was no additional advice issued to local authorities in the intervening period? Does the right hon. Lady understand that there is a difference between light-touch regulation and neglect?

Hazel Blears: The hon. Gentleman is well aware that local authorities are informed investors. They are major organisations that have fully qualified and professional directors of finance and treasurers, who have access to the very best advice. The advice that the Government issued was to local authorities, and it was on the criteria to be taken into account when making their range of investments. As I have already said, the advice is very clear: security and liquidity are the top priorities. It is only within that context that local authorities should then seek to get the highest return on their investments. Local authorities are well informed and intelligent investors, and therefore have access to the very best advice.

Mr. Pickles: The Secretary of State criticised my hon. Friend the Member for Louth and Horncastle (Sir Peter Tapsell) for relying on newspaper reports for the list, but still the Department has not produced a comprehensive list of the authorities affected. Will she undertake to do that, so that we know what the position is for councils, police authorities and fire authorities? Is she now actively examining the investments of housing associations, of PFI schemes in local authorities and of regional development agencies, which we understand are at risk? Until we have a comprehensive list, the Government cannot take serious action. It is no use their relying on others to provide it; it is up to the Government to provide that list.

Hazel Blears: I would hope that the hon. Gentleman was absolutely up to date with the action that the Government have been taking on all these issues. He will know that last Thursday there was an extensive meeting with the Local Government Association, and that at that time just over 100 local authorities had investments in Icelandic banks. So far, we have details of 116 local authorities with £858.3 million invested. We are also examining the position of housing associations and the Minister of State, Home Department, my hon. Friend the Member for Gedling (Mr. Coaker), who has responsibility for policing, met the police authorities last week. I can absolutely assure the hon. Gentleman not only that this Government are on the case, but that we have taken bold and decisive action that has been welcomed everywhere.

There will be a further meeting with the LGA tomorrow to try to identify the authorities that are struggling with these issues, but local authorities have confirmed that none of them will struggle to meet their payroll bill. Many local authorities have said that there will be no impact on the front-line services that are crucial to council tax payers, but we will ensure that where people are in difficulty, we stand ready to help.

I inform the hon. Gentleman that we now have a rapid response team, fully staffed by people from local government who are able to go in and assist.

T6. [226366] **Lyn Brown** (West Ham) (Lab): May I ask about the Olympics? As we know, the social and economic impact of the Olympic games on my constituents could be massive and very beneficial. What is the Secretary of State doing to ensure that we derive a good, positive social and economic impact for my constituents and the rest of the east end?

Hazel Blears: My hon. Friend is clearly concerned about the legacy of the Olympic games for her constituents, and rightly so. At the moment we are working with all five boroughs in the Olympic area and developing a multi-area agreement to examine social and economic issues. The most important thing is to enable the people from those deprived boroughs to get the skills that they need to take up the jobs that will be left in those areas as a result of the massive £9.3 billion investment that is taking place in the Olympics.

T2. [226362] **Tony Baldry** (Banbury) (Con): Is the Minister for Housing aware that her officials are putting it about that they will shortly publish the planning policy statement on eco-towns, and that it will be site-specific? If so, may I please urge her to reconsider? Much of the evaluation on the sites has yet to be completed. For example, in Weston Otmoor the rail infrastructure evaluation has yet to be done with Network Rail, First Great Western and Chiltern Railways. This is a really dysfunctional way of doing things and will inevitably lead to further judicial review and further delay.

The Minister for Housing (Margaret Beckett): I am grateful to the hon. Gentleman for raising the issue, because I think that there may be some misunderstanding. The planning policy statement to which he refers will be a draft and subject to substantial consultation. Not for quite some considerable time do I expect the final version. I am sure that he will know, because he follows the issue closely, that the previous consultation has resulted in a slight delay in the issuing of the draft policy statement, because the response has been so substantial. If the same thing happens again, we will be talking about more time. I would say that we are therefore some distance from any site-specific, and particularly final site-specific, proposals. I hope that that gives him some reassurance.

T8. [226368] **Joan Walley** (Stoke-on-Trent, North) (Lab): The housing market pathfinder programme is, at long last, starting to make a real difference in Stoke-on-Trent. Will the Minister confirm that the money originally allocated this year as part of that programme but withheld from the indicative amounts will still be available to programmes, such as the one in my constituency, that are deemed to be performing well, including by an independent Audit Commission audit?

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): I have been to Stoke and Staffordshire to examine Renew North Staffordshire, and I was greatly impressed by some of the progress being made there. Like me, my hon. Friend will have been delighted that I was able to announce a £1 billion investment for the next three years, with flexibility of plus or minus 10 per cent. on that budget. Given the current turbulence in housing markets and the need to ensure that the gap between the housing market renewal areas and the rest of the market is as small as possible, I am keen to push forward that flexibility as much as possible and to work with her and others, such as Renew North Staffordshire, to ensure that that happens.

T3. [226363] **Mr. Andrew Mackay** (Bracknell) (Con): Does the new Minister for Housing accept that, unlike energy surveys, home information packs help very few homes? Will she take this opportunity to help very hard-pressed home owners who wish to sell their properties by announcing that there will be a moratorium on HIPs, which will eventually lead to their demise?

Margaret Beckett: Good try! I am new to the portfolio, but not so new to it that I do not know both that HIPs are a subject of some controversy and that the reason they were devised in the first place was a strong level of perceived need for something to help in the housing market. I assure the right hon. Gentleman that I shall examine the issue. I cannot assure him, at present, that I am mindful to take the course that he urges.

T9. [226369] **Joan Ryan** (Enfield, North) (Lab): May I tell the Minister for Housing and the Secretary of State that I recently held a well attended housing information event in my constituency? My constituents were engaged in it, and were interested to learn about the new shared ownership schemes that the Government have introduced. However, it was obvious that there was a lack of awareness about the details of such schemes and about to whom they were available. Most people thought that they were available only to key workers. What steps is the Department taking to ensure that people are made aware of shared ownership schemes and that they are therefore able to access them?

Margaret Beckett: I am grateful to my right hon. Friend for that, because, as she says, the Government have introduced a number of initiatives to try to help people through the particular difficulties arising at present. She also rightly identifies the various shared ownership and shared equity schemes as a good way forward. I am sure that she is right to say that not enough people are yet aware of what is on offer. The Department has begun the programme of information and intends to develop and extend that. I am grateful to her for making it clear how necessary that is.

Julia Goldsworthy (Falmouth and Camborne) (LD): After their joint meeting last week, the Department and the Local Government Association issued a joint statement saying that

"there is no evidence of recklessness by local authorities."

Given that almost £1 billion of public money is tied up in the collapse, if it is not local authorities, who or what does the Secretary of State think is to blame? Is it the credit ratings agencies, the organisations advising the councils, or her Department for the guidance it issues? Is it not vital that that is reviewed? Should there not have been a six-point plan, rather than a five-point plan, today?

Hazel Blears: I genuinely do not think that at this point, when we are trying to help in difficult economic circumstances and get stability into the banking system, and trying to ensure that people can get mortgages and that small businesses do not fold during this difficult time, we should seek to play the blame game. At this point, we must consider what we can do to help the local authorities that are in difficulty. That is my absolute top priority at this moment, and not simply in order to help the local authorities; we need to help those people who depend on their services—some of the most vulnerable people in this country. I mean to ensure that the Government put their full effort behind that.

T4. [226364] **Bob Spink** (Castle Point) (UKIP): Ministers have confirmed that there is sufficient previously developed—or so-called brownfield land—in the Thames corridor to meet the Government's current building targets for the region in full, so why are the Government continuing to put so much green belt at risk in the area, and in Castle Point in particular?

Margaret Beckett: The hon. Gentleman is mistaken. The Government are not putting green belt at risk. Indeed, when it comes to housing development, we set our face against any such development. He will also know, however, that it is for local authorities to consider how they make their proposals; indeed, that is in train in his constituency. Knowing him as I do, I am confident that he will keep a close eye on that and, should the local authority make such proposals, that he will raise them again—*[Interruption.]* My understanding is that the local authority has talked of perhaps doing so at some time in the future, but that there are no concrete proposals at present.

Jeff Ennis (Barnsley, East and Mexborough) (Lab): In 1996, when I was chair of South Yorkshire fire and civil defence authority, we employed just one woman firefighter. Now, South Yorkshire fire and rescue service employs 32 women firefighters, up 25 per cent. in the last four years. The service is working towards level 3 of the local government equality standard. Will the Minister join me in congratulating the service on the progress it is making on the equality and diversity agenda?

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Sadiq Khan): I thank my hon. Friend for the passion he shows on the issue of gender equality, not only in South Yorkshire, but around the country. He will be aware that in 1997

less than 1 per cent. of firefighters in South Yorkshire were women, but now 13 per cent. of new recruits are women. I join him in congratulating the service on the huge strides that it is making towards becoming more fair and gender-equal.

T5. [226365] **Miss Anne McIntosh** (Vale of York) (Con): Does the Secretary of State not now accept that, at the very least, the guidance that was issued to local authorities should have included advice that the higher the rate of interest, especially over the basic deposit rate, the higher the risk?

Hazel Blears: This is the third time that I have reiterated the advice that was issued. It provides a good framework, because it tells authorities up front that their top priorities must be security and liquidity and that only in that context should they consider the rate of return and try to get the highest rate they can. Local authorities are informed investors, as I said to the hon. Member for Brentwood and Ongar (Mr. Pickles). They all have professionally qualified treasurers and investment accountants. Clearly, they should seek to spread their investments to ensure that they do not take unnecessary risks, but the guidance is clear and provides a good framework in which they can operate.

T10. [226370] **Mr. Henry Bellingham** (North-West Norfolk) (Con): Is the Secretary of State aware that the boundary committee's proposals for a unitary authority for the whole of Norfolk and part of Suffolk have met universal opposition? All the MPs, including the four Labour MPs, are totally opposed to the proposals, which would undermine democracy in Norfolk. Does she agree that at a time of economic crisis, when each Department's budget will be under huge pressure, those highly damaging proposals should be scrapped?

The Minister for Local Government (John Healey): I do not agree with the hon. Gentleman, but he will know that at the moment this is a matter for the boundary committee. He will also know that we have charged the boundary committee with reporting to us by December with proposals for any changes it thinks appropriate. For the moment, he and anyone else with strong views on the subject should make the boundary committee aware of them so that it can take those views into consideration—which it will do.

National Curriculum Tests

3.33 pm

The Secretary of State for Children, Schools and Families (Ed Balls): With your permission, Mr. Speaker, I would like to make a statement on national curriculum tests—and the next steps that we will now take to strengthen school accountability. The far-reaching reforms that I am announcing today will strengthen the role of key stage 2 national tests for 11-year-olds; radically reform the current key stage 3 testing regime in secondary schools; and introduce a new, simpler and more comprehensive way of reporting to parents on primary and secondary school performance.

When I made my statement to the House on 22 July, the Qualifications and Curriculum Authority was engaged in commercially sensitive contractual negotiations with ETS Europe. On 15 August, the QCA terminated its five-year contract with ETS Europe and recovered payments amounting to £24.1 million—two thirds of the moneys due to ETS Europe for the first year of the contract which was paid back to the taxpayer. I also announced that the QCA would tender for a single-year contract for the delivery of the 2009 tests. That new procurement is under way and has been informed by advice from Lord Sutherland, whose independent inquiry into the procurement and management of the contract for the delivery of this year's tests will set out important lessons for all such future contracts. Lord Sutherland expects to complete his final report before the end of the year.

In my statement in July, I also made it clear that the current testing and assessment regime is not set in stone. I know that some hon. Members were disappointed that I was unable to go further at that time, but it was important that we evaluated the case for change before making decisions. Over the summer, we have been able to study the Select Committee's report on testing and assessment, which was debated in the House last week. We have studied more detailed evidence from our Making Good Progress pilots and I have heard from a range of experts and partners, including Ofsted, head teachers, teachers and parents.

I fully agree with the Select Committee that the principle of national testing is sound, but I take seriously the concerns raised by the Select Committee, teachers and parents. Testing, assessment and accountability must encourage and reward the best teaching so that it properly supports pupils in their learning and development. Schools should be judged fairly on how they support the progress and well-being of every child.

I believe that three key principles must guide our approach. Our system of testing and assessment should first give parents the information they need to compare different schools, to choose the right school for their child and then to track their child's progress. Secondly, it should enable head teachers and teachers to secure the progress of every child and the school as a whole without unnecessary burdens or bureaucracy. Thirdly, it should allow the public to hold national and local government and governing bodies to account on the performance of schools. Over the summer, and guided by those principles, the Schools Minister and I looked carefully at our system of national testing and accountability across key stages 1, 2 and 3.

For more than a decade, testing and assessment have played a vital role in delivering rising standards in primary schools. This year, 107,000 more pupils left primary school secure in English and maths than did so in 1997. Those are the basics that every parent knows that their child needs if they are to succeed in secondary school. The national curriculum tests at the end of key stage 2, at 11, are the only objective measure of attainment in primary schools for parents, head teachers and the public.

The current format of key stage tests at the ages of seven and 11 is not set in stone. At key stage 1, we have already rightly replaced externally marked tests with teacher assessment and introduced new catch-up teaching for children at risk of falling behind. We will now examine whether the current system of requiring teachers to use nationally set tasks as part of moderated teacher assessment is working effectively. We are also piloting "stage not age" single-level tests at key stage 2. Although the emerging evidence from the continuing pilots is encouraging, it is too early to decide to proceed nationally. However, I am convinced that externally marked key stage 2 national curriculum tests are essential to give parents, teachers and the public the information they need about the progress of each primary age child and of every primary school. Some argue that we should abolish the tests, but that would be the wrong thing to do.

The testing and assessment system has also supported rising standards in our secondary schools, with some 68,000 more pupils gaining five or more good GCSEs including English and maths in 2007 than in 1997. Having looked hard at the current testing regime, we do not believe that the three principles that I have set out justify the key stage 3 testing arrangements in their current form. Parents want to be able to choose the right secondary school for their child and to see how the school is performing, but it is usual for them to look at the school's GCSE results to help them to do so. Parents also want to be able to track the progress of their child, but the measures that we have already introduced to improve real-time reporting of progress will mean that parents get much more regular information than just the results of a single national test.

Head teachers have told me repeatedly over the past year that a more flexible system of assessment throughout key stage 3 would allow schools to focus their efforts more effectively on personalised teaching and learning and to use the flexibility of the new secondary education curriculum. We have considered a shift to "stage not age", single-level tests in secondary schools too, and we have also been piloting them at key stage 3, but the emerging evidence that I have seen over the summer shows that single-level tests at key stage 3 are not working effectively. Therefore, on the advice of the National Assessment Agency, we will now bring the key stage 3 piloting of single-level tests to an end.

I am announcing today that, as part of a wider overhaul of key stage 3 assessment, children will no longer be required to do national tests at the age of 14. Instead, we will ensure that every parent receives regular reports on their child's progress in years 7, 8 and 9, and that teachers have the training and support to help every child make good progress. We will continue to provide key stage 3 test papers to any school that wants to use them internally, and we will ensure that schools properly focus in years 7 and 8 on the progress of those

[Ed Balls]

children who did not reach the expected standard at key stage 2, with effective one-to-one tuition and catch-up learning. We will also introduce an externally marked test, with a sample of pupils to measure national performance at key stage 3, so that the public can hold the Government to account.

Some parents find it difficult to judge how well their local schools are doing from national tests or Ofsted reports alone, so we also want to go further on school accountability. With the support of Ofsted, and following discussions with our social partners, it is our intention to introduce a new school report card for all primary and secondary schools. The school report card will help parents better to understand how well schools are raising standards and improving, compared with other schools in their area. It will show how each school is supporting the progress of every child and playing its role in supporting the wider development and well-being of children. It will draw on the successful model being used in New York city and elsewhere, but it will be designed to suit our schools. We will set out detailed proposals for consultation before the end of the year, with a White Paper to follow in the spring.

These are far-reaching reforms and it is vital that we get the details right. We will draw on the analysis and findings of the Select Committee report, and we will work closely with our social partners to take them forward without unnecessarily adding to teacher work load. To advise us on the development of this new system, I am also today appointing a new expert group, and placing copies of its detailed terms of reference in the Libraries of both Houses.

Today's reforms require changes to the procurement of national tests for 2009. Consistent with our plans for future years, we will continue to require pupils to take the national curriculum tests at key stage 2, but we will not require pupils to take key stage 3 tests from 2009 onwards. The QCA is now extending its procurement deadline accordingly.

The package of reforms that I am announcing today will give parents better, more regular and more comprehensive information about their child's progress and their school. It will support head teachers and teachers to ensure that every child can succeed, and it will strengthen our ability to hold all schools to account, as well as the public's ability to hold the Government to account. I commend this statement to the House.

Michael Gove (Surrey Heath) (Con): I thank the Secretary of State for his announcement, and for keeping us up to date throughout the summer with the steps taken to resolve the problems with this year's SATs tests. As he eventually admitted, the administration of those tests was a fiasco. I stress that we want to work with him to ensure that we never again put pupils, parent and teachers through the stress and chaos of this last year. Therefore, I want to underline that we welcome the broad thrust of his announcement today.

First, I welcome the clarity of the Secretary of State's analysis of the case for external assessment at the end of key stage 2. We need proper information on how individual children are making progress, and we need accurate information about how individual schools are doing. However, he is aware that there is still widespread concern that preparation for national curriculum testing occupies too much school time. He will know, I hope, that there are real worries that a move to single-level testing at key stage 2—the so-called "stage not age" testing—may lead to individual schools testing their pupils more often and more intensively as they try and retry to get individual pupils to the appropriate level so that league table rankings improve. Will he ensure in the pilots that he is undertaking that there will not be more tests, more teaching to the test and a narrower learning experience and that there will not be league tables that distort rather than clarify?

May I also welcome what I take to be the spirit of the Secretary of State's announcement on key stage 3 testing? I have argued for fewer national tests and more rigour, and we want to work constructively to improve the assessments and qualifications regime. So I welcome his proposal to ensure that all parents have timely information each year about the progress that children are making between 11 and 14.

The transition from primary to secondary can often be a time when pupils, especially boys from disadvantaged backgrounds, falter and become disengaged. On present measurements, 84,000 pupils in one year made no progress or fell backwards in English between key stage 2 and key stage 3; 28,000 made no progress or fell backwards in maths; and 140,000 made no progress or fell backwards in science. As my hon. Friend the Member for Bognor Regis and Littlehampton (Mr. Gibb) has pointed out, those years are some of the most important in education, and it is a tragedy that thousands of children aged 14 have a reading age lower than 11. These young people are often on a conveyor belt to truancy, delinquency and unemployment. My hon. Friend has underlined that, whatever their failings, the current SATs have reinforced the need to focus extra attention on pupils from disadvantaged backgrounds who are falling behind. Will the Secretary of State therefore guarantee that, as changes are made, there will be a special focus on ensuring that we track and reverse under-achievement among the poorest?

Ofsted clearly now has a more crucial role to play than ever. Does today's announcement mean that the Secretary of State will change the inspection regime brought in by the Education Act 2005? Will he now give Ofsted the remit and the resources necessary to conduct in-depth inspections to help underperforming schools improve? With regard to the expert group, will he give sympathetic consideration to recruiting the best head teachers from our highest-performing schools to that group to underpin a commitment to excellence?

As well as concern about too much testing, there is concern about a lack of rigour in all national tests. The Secretary of State will, I am sure, know that one of the questions in the most recent key stage 3 science tests was, "What part of a rider's body does a riding hat protect?" and one of the questions in our GCSE science tests asked students whether we looked at the stars through a telescope or a microscope. Does he consider those questions evidence of sufficient rigour in the curriculum and, if not, what instructions has he given to the Qualifications and Curriculum Authority and the exams watchdog Ofqual to ensure that standards are high?

The Secretary of State will be aware that concern about the national curriculum has meant that more and

more high-performing schools are abandoning state exams and opting for qualifications such as the international general certificate of secondary education. Will he allow state schools to offer the IGCSE and have achievement in that exam count in their league tables?

On the issue of new exams, the Secretary of State will know that the take-up of diplomas so far has been disappointing, with just 12,000 rather than the expected 50,000 pursuing these new qualifications. We want the exams to be a success, but, given how few high-performing schools are embracing the full diploma offer, will he take this opportunity to confirm that the A-level will now be safe beyond 2013?

Over the past seven years, we have fallen behind as a country in every external measurement of educational performance. We have dropped from fourth to 14th in science, from seventh to 17th in literacy and eighth to 24th in mathematics. Those are OECD figures. We congratulate the Secretary of State on recognising that change is necessary. We hope that we can continue to work in a consensual fashion to push forward the case for reform, built around fewer and more rigorous tests, less bureaucracy, more freedom for professionals and a commitment to excellence for all, underpinned by a special focus on the most disadvantaged. Our children deserve no less.

Ed Balls: I am grateful for the hon. Gentleman's support, although I am somewhat surprised by his remarks. He did not seem to address any of the issues that I raised in my statement. He seemed almost to be responding to a different statement delivered by a different Secretary of State on a different subject. It was not a statement about A-levels or diplomas. The thing that I found odd about his response was that he did not tell us whether the Conservative party supported our decision to abolish key stage 3 tests at 14—yes or no. Nor did he tell us whether he supported our decision to introduce report cards—yes or no. However, he did support my clarity on the fact that at key stage 2, we will continue with external assessment. We will also make sure that we evaluate the pilots on single-level tests in a way that genuinely supports the best teaching and learning, and the progress of every child. We are not, at this stage, making a decision on whether to proceed with single-level tests; we will do so on the basis of proper evaluation. I am grateful for his support for our making those decisions in the right way.

On key stage 3, I welcome the hon. Gentleman's saying that we should do more to focus on pupils who fall behind in years 7 and 8 of secondary school. That is precisely why I am today giving the expert group a remit to look into those issues. I welcome his support for that, too. Clearly, we want to ensure that Ofsted, our inspection regime, and our accountability regime more widely, focus on the issue of pupils who fall behind.

What the hon. Gentleman did not tell us, in a conclusion that veered off towards the subjects of diplomas and A-levels, was whether he supports our decision to abolish key stage 3 tests. I know that the Leader of the Opposition has, in past interviews, said that the Conservative party wants to continue with tests at 14. I know that last week, the shadow Schools Minister, the hon. Member for Bognor Regis and Littlehampton (Mr. Gibb), told the House of Commons in a debate:

"The SATs that are most criticised...are the key stage 3 tests. However, those are probably the most important."—[*Official Report, Westminster Hall*, 9 October 2008; Vol. 480, c. 176WH.]

I understand that there will be a need for a period of reflection on those issues before the Conservatives' policy is decided, but I hope that when they reflect on our principles, they will conclude that the proposals that we are putting forward today are in fact the right way to take forward the learning of every child.

I was also disappointed that the hon. Member for Surrey Heath (Michael Gove) did not tell us whether he supports our proposals for new report cards, but again I hope that when Opposition Front Benchers have had the opportunity to reflect, they will decide to support those proposals, too. I can tell him that we will ensure rigour in our expert group.

As for the hon. Gentleman's final remarks, I can make very clear commitments on the wider issues that he raised. I can make a very clear commitment: we will take forward our reform to ensure that education continues not just until the age of 16, but until 18 for every child, and not just some. We will ensure that every young person in our country has the choice of one of 17 diplomas, and the best chance to break out of the old two-tier divide between academic and vocational learning. We will ensure that every young person has a properly funded educational maintenance allowance. Those are three clear commitments, none of which Opposition Front Benchers support. That—more so than anything that the hon. Gentleman said in response to my statement—tells us everything that we need to know about the modern Conservative party.

Mr. David Laws (Yeovil) (LD): I start by thanking the Secretary of State for advance sight of his statement. I welcome the Government's U-turn on the key stage 3 tests; it will be widely welcomed outside this place, and no doubt in his own household. I also welcome what I think was a U-turn from the Conservatives on the key stage 3 tests. Four or five days ago, they were telling us that they were committed to those tests. I think that the shadow Secretary of State said today that he was happy with the announcement that the Secretary of State made, although we await clarification of that.

Outside this place, key stage 3 tests have long been regarded by all parties involved in the education debate as a complete waste of time, expensive, inaccurate and unwanted, not only by parents but by schools and other players in the educational debate. We are very pleased that they have gone, because they are expensive without adding anything to the system.

We support the Secretary of State's decision to keep the key stage 2 tests, which are vital for primary school accountability. He said that they should be externally marked. Will he clarify whether he is saying that he will always insist on full external marking, or is he still considering internal marking with external moderation?

The Secretary of State has made one very welcome U-turn; may I urge him to make a number of others on similar issues? He said, I think, that single-level tests were being axed at key stage 3, but that on key stage 2 the emerging evidence was encouraging. I should like to know what that emerging evidence is, since most of the people to whom I speak and most of the evidence that I am aware of is that those tests are a failure, that they would erode accountability at the primary level, and

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that they would institutionalise a testing factory farm in schools in an unwelcome way that runs directly counter to the other announcements today.

May I ask the Secretary of State about one potentially important announcement that he made today, and discover whether it is as important as it looks? The Department's response to the Select Committee report indicated that it was sceptical about the random sampling across the school system of particular cohorts so that we could find out what was happening over time to standards, without those figures being distorted by teaching to the test or the dumbing down of examinations. What is the meaning of his statement today that he will introduce sample testing, presumably at key stage 3, and who will do it?

If the Secretary of State is serious about introducing more sample testing to end the debate about standards in education, will he beef up the Ofqual that he announced a year ago and make it a genuine educational standards authority that will have credibility in the education standards debate, which it does not possess at present? Will he also consider the future of AS-level examinations and whether they are necessary? Will he consider the systems of targets that are used alongside Government tests, which often have distortive impacts, particularly on the borderline between level 4 and level 3 and between C grades and D grades?

Finally, on the shambles of the key stage 2 and 3 tests in 2008, may we have an update not only on the number of papers that have yet to be marked, but on the appeals situation? I understand from the Qualifications and Curriculum Authority that appeals are up 50 to 100 per cent. on last year, which indicates that the confidence that the right hon. Gentleman displayed in his statement of 22 July that marking remains of high quality is not shared by many schools across the country. What are the latest statistics on appeals, and is he as confident about marking quality as he was a number of months ago?

The changes announced today are long overdue and will be welcomed by people right across the political spectrum, from extreme left to extreme right. I hope that this is the first of a number of major changes that can restore credibility to the standards debate in education and ensure that we strike the right balance between school accountability and genuine freedom and liberalisation.

Ed Balls: I welcome the hon. Gentleman's support for our reforms and proposals. I found his response comprehensible and I agreed with almost all of it. I was glad that I was not the only person in the House to be totally confused by the remarks of the shadow Schools Secretary. We know that the hon. Member for Surrey Heath (Michael Gove) likes to read out a prepared text, but as I had given him mine an hour before, one would think that he could have written a slightly more comprehensible one. *[Interruption.]* Yes, he would almost certainly have failed to get to level 4 at key stage 2 in comprehension with that reply.

We will continue with externally marked key stage 2 tests. We are not proposing a move towards external moderation but internal marking. That is not the approach that we are taking at key stage 2, 3 or 1.

I will share with the hon. Member for Yeovil (Mr. Laws) the emerging evidence from the evaluations of the single-level tests. As I said, the evaluation at key stage 3 shows that the single-level test approach does not work. It seems that it is not possible to have an effective test that crosses the primary-secondary school divide and the divide between key stage 2 and key stage 3. That is why, on advice, we are ending the pilot. However, at key stage 2 the early results are encouraging. If we can have a testing regime in primary schools consistent with external marking and proper objectivity, which allows testing to be set more to meet the level of individual children on the basis of teacher judgment, that would be a good thing, but we will not do so until there has been proper scrutiny of those pilots. I assure the hon. Gentleman that we will not rush to hasty judgments.

Sampling is an important issue. As I said when I set out the principles, the testing, assessment and accountability regime plays different roles. We want to ensure that every parent has an objective view on the progress of their child and the performance of their school. Sampling clearly cannot deliver either of those, but it can allow us to check the progress of the whole school system. Because GCSEs give us that external check on the performance of the school, and because individual progress is assessed by teachers in years 7, 8 and 9, at key stage 3 we can use a sample to assess the system as a whole, but to use a sample at key stage 2 would take away from parents that objective evidence on the performance of an individual school. Sampling is a good thing where it works to meet an objective, and that is why we will ask the expert group to advise us on how to do that effectively at age 14 in our schools.

I made no announcements today about AS-levels or qualifications after 16. That will need to be for another day and another discussion. But to give an update on progress over the summer, schools now have 99.9 per cent. of results and scripts. The appeals process is moving ahead.

Mr. Laws: Going up.

Ed Balls: Of course appeals are up, and understandably so, because schools were inevitably going to appeal more this year. It is important that through that appeals process we give assurance to schools and governing bodies that standards have been maintained. The statements made by Ofqual support the view that standards have been maintained, but it will need to look at the appeals process. We will have the opportunity this year in the Bill that we introduced in the Queen's Speech to ensure that Ofqual has the independence and powers that it needs. I look forward to those debates, but Ofqual represents a substantial step forward.

I welcome the hon. Gentleman's comments and support. We have not given him everything that he wanted, but I think that we can agree that this is a substantial step forward for schools in the 21st century, and it will allow pupils and parents to have the information that they need while reducing bureaucracy in secondary schools.

David Taylor (North-West Leicestershire) (Lab/Co-op): I welcome most aspects of the Secretary of State's announcement today, particularly the school report card, and I hope that that information will be transmitted to parents electronically as well as in a paper version. As

a governor of Ibstock community college, which is an 11 to 14 school, as high schools and community colleges are in Leicestershire, ending at year 9, may I ask my right hon. Friend whether he feels that Ofsted, school improvement partners and others will have sufficient objective information for those middle schools in counties such as Leicestershire to provide the type of accountability and report-back to parents and others that they have had so far?

Ed Balls: We will need to pay particular attention to two categories of schools. One is middle schools, where pupils leave at 14, and the second is those that have opened as new schools, in which, for the next five years, pupils, as they move through the years, will not have done a year 11 externally marked test. We particularly asked the expert group to consider that issue and advise us on it. We need to ensure, consistent with the right decisions that we have made about key stage 3, that we can provide parents with enough information and certainty about the performance of those schools. This is a particular issue that we will now consider on the basis of the expert group's advice, and I will ensure that my hon. Friend is closely in touch with that work.

Mr. Philip Hollobone (Kettering) (Con): Out of 10, what mark would the Secretary of State give the QCA for its oversight of this year's testing regime, and will he reassure the House that no senior member of the QCA will receive a bonus for their performance this year?

Ed Balls: I am relieved to say that that is not an exam that I set, mark or moderate. Lord Sutherland is taking evidence as part of his inquiry. He will set out his conclusions in due course and we will ensure that every lesson is learnt from what happened during the past two years in the management of that contract.

Dr. Tony Wright (Cannock Chase) (Lab): May I join in the welcome for my right hon. Friend's statement, particularly for the clarity of principle and intellectual rigour behind it? I extend a particular welcome to the school report card proposal, but if it is good enough for secondary schools, will it also apply to primary schools, and what does it mean for the nature and future of league tables?

Ed Balls: Our intention is for the school report card to be for every secondary and primary school, and to take forward both cards at the same time. We will consult in the next few weeks and produce a detailed plan in November, at the time of the one-year-on update on our children's plan. We will have a formal consultation in advance of the White Paper in the spring. We will need to sort out a number of details, and I hope that there will be an opportunity for discussion and to hear the views of the Children, Schools and Families Committee and experts in the House.

On the issue that my hon. Friend has raised, I should say that the school report card will be important to parents as a simple and comprehensive view of a school's performance, alongside Ofsted reports and the raw data on the school. We publish clearly information that is compiled by others in school league tables. That information, of course, will continue to be published in a simple and accessible form, so school league tables will continue to be compiled and parents will continue to look at them.

However, we hope that alongside the Ofsted report and those tables, the school report card will give parents a more comprehensive view of the school's performance which takes into account not only standards for the average child at the school, but how every child is supported to learn—value added in respect of the school—and some of the broader issues that matter to the well-being of children in a school. The aim is to capture the idea of the 21st-century school in one report card, and I hope that we will be able to discuss it in more detail in due course.

Adam Afriyie (Windsor) (Con): The Secretary of State spoke about raising standards, yet in the past seven years we have dropped from fourth to 14th when it comes to science results and from eighth to 24th when it comes to maths results. Why is that, and how do the measures that have been announced help to raise those standards?

Ed Balls: In my statement, I cited the results of national tests. I am pleased to say that they are supported by Conservative Members, at least in respect of primary schools. In 1997, 69 per cent. of pupils reached level 4 in science; today, the figure is 88 per cent. In key stage 3, the number has risen from 60 per cent. to 71 per cent. in the past 10 years. Standards have been rising year on year. I have always said that there is further to go to get to the world-class standards to which we aspire. Like most experts, I am sure, I am dubious about some of the measures that the hon. Gentleman peddles. Look at the raw figures at key stage 2: standards are rising and have done consistently for 10 years, having been stagnant for the previous 20 years. Nobody wants to return to those days.

Fiona Mactaggart (Slough) (Lab): As probably the only member of the Children, Schools and Families Committee in the country, I warmly welcome the report; my colleagues are in Canada on a study visit. The report has taken a lot of notice of our work on testing and assessment.

In his earlier response, the Secretary of State suggested that cohort testing would be reserved for key stage 3 only. Cohort testing is a mechanism through which we can hold accountable children's progress nationally, rather than through individual schools. Will he ask his expert group to consider whether cohort testing at other ages might be appropriate, and how the whole system has progressed over time?

Ed Balls: I should put on the record that the expert group that we are establishing, with its terms of reference, includes one primary school and one secondary school head teacher—Gill Mills and Yasmin Bevan, from the Cross-in-Hand Church of England primary school and Denbigh high school respectively. The group also includes Jim Rose, a leading expert in curricular matters who is doing our primary curriculum review, Maurice Smith, a former chief inspector, and Tim Brighouse, who ran the London challenge. The five members will make sure that they consult widely, including with the Children, Schools and Families Committee.

[Ed Balls]

I was disappointed that the Committee Chairman and other members could not be here today; I discovered only yesterday that they were in Canada. However, I have suggested to the Chairman that he and his colleagues might want to go to Alberta to look at the report card system there, and that they might want to change planes in New York city on the way back to start investigations into how the report card can work. The Committee's report in July was careful, measured and forward thinking. My hon. Friend the Member for Slough (Fiona Mactaggart) and others played an important role in ensuring that the report was good, and it has influenced our thinking.

On the issue of sample testing, I made the point that such testing cannot deliver for every parent their child's progress and it cannot deliver their child's school's progress either. Sample testing has a role to play, however, and it will do so at key stage 3, for children at the age of 14, on the basis of the expert group's advice. As part of its work, I am happy to ask the expert group to look at the wider issues that my hon. Friend has raised.

Several hon. Members *rose—*

Mr. Speaker: Order. I gently say to the Secretary of State that I appreciate his full replies, but perhaps they could be shorter. We have a limit in the main debate, and those replies will take time out of that limit.

Mr. Stewart Jackson (Peterborough) (Con): When the Secretary of State looks at the curriculum for the politics and government GCSE, he might want to consider the 1954 Crichel Down precedent, which established ministerial responsibility, because that is clearly anathema to him given that we have still not had a proper apology from him for the debacle of last summer. How much faith can we put in any future testing regime when that is the case? Would he like to apologise to my constituents and to the head of Werrington primary school, Ben Wilding? The data on four children at that school have not been accounted for, and are still missing after four and a half months. Maths papers have gone back a second time for marking. That is lamentable. Even though they might be in that 0.1 per cent. it is not—

Mr. Speaker: Order.

Ed Balls: I apologise to you, Mr. Speaker, for the length of my answers. I very much regret what has happened in the school in the hon. Gentleman's constituency. Two thirds of the ETS first-year payments have been returned—some £24 million. I was careful in my language when I made a statement in July on the basis of legal advice. If we had followed the advice of Opposition Members, the taxpayer would be substantially in deficit. That is the difference between responsible government and irresponsible, posturing opposition.

Judy Mallaber (Amber Valley) (Lab): I welcome this statement. My right hon. Friend will be conscious, however, that how a school is described publicly can have a huge effect on morale in the school, for good or bad. How will he take action to ensure that this new form of accountability to parents—the school report card—takes account of the context in which the school is operating, such as its intake, so that parents can get a sense of whether that school is doing well, and whether it would benefit their child?

Ed Balls: As my hon. Friend has said before, there are many schools with low average results, but with high value added. There are also many schools with seemingly higher average results, where low value is added, which are coasting along and not doing their best for children. The school report card will allow us to put the raw data on standards in that wider context and I hope that it will enable her constituents to make the sort of judgment about schools' performance that she has been urging through the national challenge.

Paul Rowen (Rochdale) (LD): I, too, welcome the statement, particularly as it affects key stage 3. Could I ask the Secretary of State why he rejected teacher-marked and externally moderated methods of testing for key stage 2? That would save a lot of money and give schools a lot more freedom with regard to how they organise their time.

Ed Balls: I answered that question a moment ago. We have looked carefully at these matters, and our view is that it is important to have externally marked, rather than moderated tests, once during a child's time in school in order to give parents a degree of certainty about the results. There is an important role for teacher moderation, but the fact that we have externally marked exams at the ages of 11 and 16 is important and it would be a backward step to drop them.

Liz Blackman (Erewash) (Lab): Educational success is totally dependent on a child's ability to access the curriculum, so I welcome the emphasis on catch-up in the early stages of key stage 3 with one-to-one support. Can my right hon. Friend assure parents that a similar emphasis will be placed on high-quality, stretching education for all pupils?

Ed Balls: I can definitely give that assurance. We will ensure that that focus on pupils who are at risk of falling behind starts in the earliest years of primary school and continues through key stage 1 and into secondary school. I know that the Opposition want to reintroduce a new external test for six-year-olds, but that would not be the right way to proceed. It is much better at that age to have effective teacher assessment and one-to-one catch-up tuition. That is the approach that we will take.

Mr. Rob Wilson (Reading, East) (Con): Does the Secretary of State agree that we now need much more rigorous examinations? If he does, why does his Department prevent state schools from entering rigorous qualifications, such as the international general certificate of secondary education?

Ed Balls: As our qualifications advisory group recommended earlier in the year, entering the IGCSE would be the wrong thing to do for schools in the state system in England. I am happy to send out the details about that. The IGCSE is a qualification drawn up for particular circumstances and is not one that is relevant or which should be funded in our state schools. As for the hon. Gentleman's suggestion that we should have

more rigorous examinations, I thought that the Opposition were calling for fewer exams a moment ago. I am totally confused as to what the Conservative party is talking about today. It seems to have a range of different shadow Schools Ministers, who all contradict each other week by week and almost hour by hour. It is a shambles.

Mr. Brian Jenkins (Tamworth) (Lab): I warmly welcome this afternoon's statement, but what would the Secretary of State say to Mrs. Alison Adams, from Kent avenue, Fazely, who, along with parents from Millfield primary school, is still awaiting the results of the English key stage 2 SATs? They do not want to know about the history; they want to know when they can expect to receive the results. What can we tell them to increase their confidence that this afternoon's statement will strengthen the system?

Ed Balls: As I have said, 99.9 per cent. of primary schools have received their key stage 2 results. I obviously do not know what has happened in the case of Millfield primary school, but I hugely regret the stress that Mrs. Adams and her school have gone through. I am happy to ask the National Assessment Agency, which is now leading the testing process, to see what has happened in that case and will write to my hon. Friend.

Mr. Henry Bellingham (North-West Norfolk) (Con): We have touched on this issue already, but I seek further clarification. A number of schools in the country have requested a remarking of some of the 2008 key stage test papers. Can the Secretary of State tell the House how many papers we are talking about and what the cost implications are?

Ed Balls: Every year, there are tens of thousands of appeals in national tests at key stages 2 and 3. We extended the deadline this year and we changed the arrangements for the management of the appeals process. I said in an earlier answer that the number of appeals this year would be up, and they will all be done rigorously and properly. We will ensure that the results are returned to schools as soon as possible, as happens every year, including this year. I cannot give the hon. Gentleman a figure for the number of appeals, because the process is not yet complete, but it is being done rigorously and properly, as it always is.

Ms Dari Taylor (Stockton, South) (Lab): I warmly welcome the Secretary of State's statement this afternoon, but I have serious concerns. It is important that simpler ways of reporting to parents be seen as valuable. I also see getting rid of key stage 3 as totally appropriate. However, I still have serious concerns that we are relying on private companies to deliver a structure, a system and a process. In my day, we relied on the teaching profession. I marked for London university. We should see the teaching profession as central to the delivery of the process and the marking. Then and only then will we have a system that is trusted and respected by parents, governors and teachers.

Ed Balls: I understand my hon. Friend's concerns. I am pleased that she supports the decisions that we have made on key stage 3. However, at level 4, GCSE, the qualifications are managed, marked and processed by a combination of private and charitable companies. They do that well and with objectivity. In today's statement we have strengthened teacher assessment at key stage 3, as we have already done at key stage 1. However, in my judgment, parents want the same certainty at key stage 2, at the end of primary school, that they currently get with GCSE qualifications. Asking schools to take on the burden of marking all those scripts would not be popular with our teaching profession and would not be the right thing to do for parents. That is why we have not gone down the road of teaching assessment at key stage 2.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): I particularly welcome the inclusion of Professor Tim Brighouse in the expert group. He completely transformed education in Birmingham in the 1990s. The Secretary of State has referred to parents receiving more information. May I urge him to stress that parents also have a responsibility in regard to their children's education, not only in the primary sector but in the secondary sector as well? Will the expert group pay as much attention to parental responsibility as it does to schools' responsibilities?

Ed Balls: I completely agree. One of the things that secondary school teachers regularly say to me is that they find it hard to engage parents in secondary school learning. I also hear parents say that secondary schools can sometimes be rather forbidding places for them. The evidence is clear that if parents are involved, their children do better at school. Real-time reporting and the new school report cards are among the ways—there will be others—in which we can strengthen the engagement of parents in secondary schools. My hon. Friend is absolutely right to say that that is critical to the learning and progress of their children.

Mr. Jamie Reed (Copeland) (Lab): I particularly welcome the collegiate way in which the Secretary of State has worked with the Select Committee on these issues. Speaking as a young parent, and on behalf of young parents in my constituency, may I point out that there is particular concern among parents about the transition of pupils from primary to secondary school in relation to attainment levels? How will today's statement help to address that issue and ensure that attainment levels remain solid, and rise, over that transition from the primary to the secondary sector?

Ed Balls: We have looked carefully at the transition issues, and will continue to do so through the expert group. One proposal was that we should hold year 6 pupils back and make them do a further year in primary school, rather than letting them go to secondary school, if they had fallen behind. Surprisingly, that was not raised by the hon. Member for Surrey Heath (Michael Gove) in his response today. I do not know whether that is still the policy of the right hon. Member for Witney (Mr. Cameron). We will look very carefully at those issues, and we will ensure that there is a proper focus on pupil progress in years 7 and 8. However, holding 12 and 13-year-olds back in primary school would be totally the wrong thing to do.

Andrew Gwynne (Denton and Reddish) (Lab): Of course, it is not just the transition from primary to secondary school; key stage 3 is absolutely crucial in

[Andrew Gwynne]

enabling the right decisions to be made about which GCSE options to take. Given that the key stage 3 tests are going—I think that that is the right decision—can my right hon. Friend guarantee that there will still be an element of challenge in relation to educational attainment at key stage 3, as that is crucial to ensuring that the progress made at GCSE continues?

Ed Balls: There will be sample tests, and there will continue to be teacher assessment of 14-year-olds. Every parent will also get a report on progress in years 7, 8 and 9. The most important thing that we need to ensure is that pupils in year 9 are making the proper decisions about which GCSEs or diplomas to do. We believe that the changes that we have made today will free up time for teachers, pupils and parents to focus on those critical decisions. But people can make good decisions at that stage only if we have ensured that any problems in years 7 and 8 have been properly addressed. The focus on every child's progress will help to deliver that objective, and to ensure that every child can go on to succeed at 16.

Trading of Primates as Pets (Prohibition)

4.23 pm

Mark Pritchard (The Wrekin) (Con): I beg to move,

That leave be given to bring in a Bill to prohibit the breeding, selling, purchasing and keeping of primates as pets in the United Kingdom; and for connected purposes.

It might come as a surprise to some Members of the House—and certainly to some members of the public—that it is currently not illegal to keep a primate as a pet. Such practices do not fit well with our so-called enlightened and modern society—a Britain that is supposed to have world renown as a nation of animal lovers. Keeping primates as pets is like something from Victorian times. It is outdated, and comes from a darker period for animal welfare in this country. That was a different age, in which very few data on the declining number of primates were available. Today there is little excuse for lack of knowledge or access to information.

The Bill is about serious monkey business. It is estimated that up to 3,000 primates are currently being kept as pets in the United Kingdom. Many, although by no means all, are kept in cruel and cramped conditions. Whatever their captive conditions, these wild animals will always remain wild. These are animals that need large areas of vertical and horizontal space; they need certain room temperatures and humidity; they need long hours of natural sunlight; and they need a varied and balanced diet.

There are many examples of rescued primates having been malnourished and fed completely inappropriate diets, which often cause medical conditions such as rickets, muscular waste, curved spines, brittle bones, major psychological and mental disorders, respiratory complications and tooth decay—the list is endless. One particular example is the case of Joey the monkey who was kept in a tiny wire cage for more than nine years, so that his neck was fused to his spine; but I am glad to say that he has now been rescued through the excellent work of the monkey sanctuary trust in Cornwall.

Primates are extremely sociable animals. In the wild, they can live in colonies of up to 50 individuals and they sometimes occupy areas as large as 130 hectares per colony—not a 3 ft 2 in wire cage or a 6 ft 6 in shed in the back garden of a three-bedroom semi-detached house. Scientific evidence points to social, physical and behavioural suffering for primates kept as pets. Many owners fail to realise that many primates will live up to 40 years of age. Cheeta, the chimpanzee from the "Tarzan" movies, for example, recently celebrated his 76th birthday. I hope that some Members will support my campaign to get Cheeta an honorary Oscar so that he can highlight the cause and the plight of his cousins who do not swing on the lanyards, but are kept in wire cages. The Government, along with my colleagues on the shadow DEFRA Front-Bench team, should act to put an end to this antiquated and cruel practice.

Primates are the fathers of the forest, and the Prime Minister's new rainforest review will be meaningless without added protection for primates. I recognise that the Government are doing some good work in some areas, particularly in respect of the convention on international trade in endangered species of wild fauna and flora, known as CITES. However, it is inconsistent to talk about millennium development goals and the

sustainability of ecosystems, habitats and forests when the great sowers of the seeds of the forests are themselves being eliminated and imprisoned in this country.

I am not being alarmist when I use the word "eliminate", for as long as primates are snatched from the wild, that particular lineage will never be replaced: the gene pool is running dry. Each year, according to "Animal Issues", 32,000 wild caught primates are sold on the international market, and according to a recent global review of the world's primates, 48 per cent. of species face extinction. The World Conservation Union—or the International Union for Conservation of Nature—red list of threatened species suggests that 70 per cent. of primates in Asia are now endangered. The figure is 90 per cent. in Cambodia; 86 per cent. in Vietnam, 79 per cent. in China, and 84 per cent. in Indonesia. The statistics are alarming.

I hope that the Government of Portugal will do more to stop the illegal trade of primates through the port of Lisbon. I also hope that the Democratic Republic of the Congo will stop the mainly illegal markets that take place in that country. It is a blight on the international reputation of those countries and a possible threat to their future eco-tourism—particularly that of the DRC—when they take so little action to deal with this issue.

It is said that the world's forests are the lungs of the world. If that is true, primates are the alveoli—the tiny air sacs that give vocal life to the world's forests. I want to pay tribute today to some Governments who have taken action—the Governments of Holland, Germany, Italy, Denmark and Israel, who have already taken serious steps to restrict the keeping of primates as pets, many banning them altogether years ago, as in the case of Israel. The UK should shut off the demand for primates in this country and should take the lead, as it has on so many other issues such as climate change and CITES.

According to the International Union for Conservation of Nature's red list of threatened species, 11 per cent. of the 634 recognised species and sub-species are critically endangered, 22 per cent. are endangered and 15 per cent. are vulnerable. Scientists noted in the study that the data constituted

"probably the worst assessment for any group of species on record".

That is a worrying and damning indictment of Government and, indeed, perhaps parliamentary inaction. Bouvier's red colobus, for example, may already be extinct: it has not been seen in the wild for 25 years, and we may never see one again.

The causes of depopulation are many and varied, including loss of habitat, hunting for bushmeat, and disease. I appreciate that the United Kingdom Government's inability to deal with some of those issues is very limited, but the Government can and should take action to stop domestic pet owner demand in this country. Overwhelming evidence suggests that smuggling and the import of primates into the United Kingdom have a direct and adverse impact on wild populations. Government inaction, including the inaction of past Conservative Governments, also ignores the health risks that primates pose to public health: the inter-species transfer of diseases such as monkeypox—a form of smallpox—the herpes B virus, the Marburg virus and the serious flesh-eating disease Ebola.

Primates pose a severe biodiversity and bio-disease risk. I hope that Her Majesty's Revenue and Customs will do far more; it currently has a pretty miserable record of intercepting the illegal import of primates which could be carriers of the diseases to which I have referred, and I hope the Minister will be able to ask about that. Is he confident that no serious emerging infectious disease is being hosted by one of the United Kingdom's pet primates?

What action should be taken? First, let us phase out the keeping of primates as pets by 2012, introduce a registration system for all existing primate pet owners so that animal welfare standards can be monitored and inspections can be made, and not de-list tamarins, squirrel monkeys, woolly lemurs and owl monkeys under the Animal Welfare Act 2006: they need licences too.

The Bill has cross-party support. We, as human beings, do not own this world; we are merely custodians for the generations that will follow us. We may have dominion over the world and its creatures, but we must also be good stewards of the natural world as much as of—as we shall hear in a moment—the material world.

My final question is this: does the Minister think that, in modern Britain and with rapidly declining primate populations, allowing the trading of primates as pets is the right and the civilised thing to do, and can we, in all good conscience, allow it to continue?

Question put and agreed to.

Bill ordered to be brought in by Mark Pritchard, Mr. Elliot Morley, Mr. Edward Vaizey, Michael Jabez Foster, Mr. Philip Hollobone, Mr. Stewart Jackson, Mr. Eric Martlew, David Taylor, Mr. Colin Breed and Mr. Eric Pickles.

TRADING OF PRIMATES AS PETS (PROHIBITION)

Mark Pritchard accordingly presented a Bill to prohibit the breeding, selling, purchasing and keeping of primates as pets in the United Kingdom; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 17 October, and to be printed [Bill 152].

Orders of the Day

Banking Bill

[Relevant document: The Seventeenth Report from the Treasury Committee, Banking Reform, HC 1008.]

Order for Second Reading read.

4.34 pm

The Chancellor of the Exchequer (Mr. Alistair Darling): I beg to move, That the Bill be now read a Second time.

Yesterday I set out the Government's proposals to restore confidence and stability in the banking system now, and I am pleased to report that during the course of yesterday other countries in Europe, and today the United States, have made announcements along similar lines, showing that countries all over the world are now acting in order to help to stabilise and rebuild the banking system, which is absolutely essential. Yesterday's announcement was significant and important, and it is also important that it is followed through throughout the world as we get through what is undoubtedly an extremely turbulent time.

Our proposal yesterday included comprehensive plans on both liquidity and capital, and I said yesterday that eight of our major banks and our major building society have signed up to that. I also said yesterday that HSBC had announced last Friday a transfer of £750 million of equity capital into its UK subsidiary, and I want to make it clear that it has already done that. I also said yesterday that we would take steps to strengthen the supervisory and regulatory system. That is not in this proposed legislation, but I am in no doubt that we need to learn lessons not only in this country but across the world in relation to improvements we may need to make in the regulatory system, and we will bring forward proposals after I have received recommendations from Lord Adair Turner, who chairs the Financial Services Authority.

Mr. Gordon Prentice (Pendle) (Lab): When we nationalised Northern Rock, there was some debate about whether that extended to Granite, the arm of Northern Rock that was based in Jersey. Does the Bill address the problem of offshore centres? If it does, what are we doing about it?

Mr. Darling: No, the Bill does not address the question of offshore centres directly. As I shall describe, it provides wide-ranging powers to allow us to deal with a financial institution that gets into trouble. I do not want to go over the ground of Granite again, as it was debated extensively in February. The question of offshore financial centres is interesting, but the Bill does not directly address that.

Mr. Andrew Tyrie (Chichester) (Con): As the Chancellor knows, I am a strong supporter of bank recapitalisation and of his statement yesterday. In that statement, he said the

"shareholdings will be managed on a fully commercial basis by an arm's length body".

Can he say a little more about what that arm's length body will be, and why he has decided not to use the FSA or the Bank of England for that purpose? Will he also explain what the

"precisely defined remit to act in the interests of taxpayers"—[*Official Report*, 13 October 2008; Vol. 480, c. 540.]

is, if it is not to act on a fully commercial—

Madam Deputy Speaker (Sylvia Heal): Order. May I remind Back-Bench Members that there is a time limit, and therefore if they make interventions I request that they show some respect to their colleagues who wish to participate in the debate by asking just one question?

Mr. Darling: I shall certainly answer the hon. Gentleman's question, but as I have not yet even got on to clause 1, I think I had better take the hint that Madam Deputy Speaker has dropped to us. The hon. Gentleman asked a perfectly pertinent question, and I will shortly be setting out how we intend to manage that. We are not using the FSA because it is the regulator, and it would be compromised if it were also managing the Government's shareholdings. I think the hon. Gentleman is aware that the Government's shareholdings in the private sector—such as they are, as there are not that many now—are managed by the Shareholder Executive. Obviously, it is responsible to Government and it is a public sector body, but it distances Ministers from the day-to-day business of owning shares. As I made clear yesterday, I want the banks in which we have shareholdings to be managed on a commercial basis at arm's length from Government, because Ministers cannot possibly be making day-to-day decisions or anything like that. Fairly shortly, I will set out for the House precisely how we intend to do this, but that is not addressed in the Bill, which is essentially about dealing with failing banks. I will come back to that point, however; I can give that undertaking to the House.

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): Will my right hon. Friend give way?

Mr. Darling: I will give way to just about everybody who asks to intervene, but I would like to make—*[Interruption.]* Yes, "just about", as I reserve the right not to give way to some Members. I would like to make some progress, but I know that my hon. Friend wants to make an intervention and he will have the opportunity to do so.

Northern Rock has been mentioned, and I have undertaken to keep the House informed. To bring the House up to date, in its third quarter trading statement Northern Rock reported that its outstanding loan from the Government is down from the high point of £27 billion to £11.56 billion. I have said that that money is being repaid, and that remains the case.

May I also say by way of introduction that I really do welcome the commitment from those on the Opposition Front Benches to give the Bill a fair passage? Of course there needs to be proper scrutiny, and I wish to indicate that we are open to suggestions to improve and tighten up the Bill, subject to the usual caveat that we cannot allow endless amendments so that it becomes virtually unworkable. If there are suggestions, I am happy to work with Members of all parties just as we are working with those outside who have an interest.

The Banking (Special Provisions) Act 2008, which we passed in February, will lapse on 20 February next year. If the Bill has not received Royal Assent by then, we will have to introduce a one-clause Bill to extend that Act. Obviously, I would much prefer to have the present Bill on the statute book by that stage. I welcome what has been said about that both publicly and privately.

Mr. George Osborne (Tatton) (Con): Let me repeat in public what I have told the Chancellor in private—that we will do everything we can to get the Bill on the statute book by next February, when the special powers taken over Northern Rock will expire.

Frank Dobson (Holborn and St. Pancras) (Lab): Which you voted against.

Mr. Osborne: The point that I made was that it would have been good to have the present Bill a bit earlier, so that we would not have needed those emergency powers. However, that was my Second Reading speech on the previous Bill, so we will wait for today's speech.

On the specific point about the code of practice, which is absolutely crucial to the Bill—it is how the special resolution regime will actually operate, be triggered and so on—can the Chancellor assure us, in the spirit of our co-operation, that the Government will publish it as soon as possible so that we can debate in Committee how the bank failure regime will operate, which is at the heart of the Bill?

Mr. Darling: I can give the hon. Gentleman that undertaking. As I understand it, it has been agreed through the usual channels that the Bill will be taken in a slightly different order from that in which the clauses appear, so that when we reach the special resolution regime we will have the code of conduct. I understand that that has already been agreed, and I am quite sure that we can co-operate on that and other matters.

As the hon. Gentleman mentioned one part of his Second Reading speech on the previous Bill, I shall say that it would have been quite impossible to produce a 200-clause Bill this February. What I had to do earlier this year was ensure that we had powers to nationalise Northern Rock and—very presciently, as it turns out—to take additional powers. Otherwise, we would have been in real difficulties over the past few weeks.

Stewart Hosie (Dundee, East) (SNP): On that point, it is probably worth clarifying that the genesis of this Bill was in the depositor protection consultation of last October, when powers were sought to deal with failing banks based on the economic crisis that started last summer. The Bill, 200 clauses though it is, will not be on the statute book until 2009, so it is not exactly decisive action in relation to that point.

Mr. Darling: I shall come to that in a moment, but I would just say that we took action in February. I remember the hon. Member for Runnymede and Weybridge (Mr. Hammond) asking articulately and forcefully at the time why we were going beyond the clauses necessary to acquire Northern Rock. I had to put it somewhat delicately because I knew a number of things that were not then in the public domain, but I said that there might be cases in which we would have to intervene.

If we had not had the special powers for which we argued in February, I could not have dealt with the Bradford & Bingley situation, which arose during the parliamentary recess. We would have had to recall the House, which would have exacerbated an already difficult situation. Nor could we have dealt with the collapse of the Icelandic banks Kaupthing and Heritable if we had not had those powers. We do not have to imagine what life would be like without the current Bill, because we have seen in the past few months what can happen, and what can happen very quickly. I am glad that we got the special powers, and I am sorry that the Opposition voted against them. It was essential to have them, otherwise we would have been in real difficulty.

Several hon. Members *rose—*

Mr. Darling: I shall take one intervention, then I would quite like to get to clause 1 before the day is out.

Mr. Peter Bone (Wellingborough) (Con): My recollection is that, at the time, the Chancellor said that Northern Rock was unique and that no other financial business was in trouble. Have I misunderstood the situation?

Mr. Darling: The hon. Gentleman may well want to check his recollection. We would not have taken those powers if we had not anticipated that there might be difficulties. Indeed, I remember a right hon. Gentleman—he is not in his place, so I shall not name him—specifically asking me why I was mentioning building societies. Building societies were included in that Bill because we thought there might be occasions when we had to do something to help them. That piece of legislation was essential because it looked ahead to what, I think, all of us could have contemplated might happen in the ensuing few months. As I say, I am glad that eventually we got parliamentary approval for the Bill. The only point I am making, for those who doubted whether that Bill was necessary, is that events have proved that it was very necessary. It is also very necessary for us to pass this Bill.

Mark Lazarowicz *rose—*

Mr. Darling: I hope to return to it. I shall give way to my hon. Friend, not least because he is a fellow Edinburgh MP.

Mark Lazarowicz: Without the powers that the Government had from a number of directions they would not have been able to come forward with a proposed merger between HBOS and Lloyds TSB. My right hon. Friend will be aware that people were commenting this morning, in Scotland, in particular, that, given last week's announcements, the merger should not go ahead. What does he say to people who take that point of view?

Mr. Darling: My hon. Friend will recall that the decision to merge was taken by the boards of HBOS and Lloyds TSB; it was their commercial judgment that was important. It was the judgment of ourselves, the Financial Services Authority and the Bank of England that it was also in the interests of greater financial stability that the merger should go through. Indeed, that is why we amended the provisions on the competition

[Mr. Darling]

law. As I said at the time, that was one example of where financial stability trumped competition concerns, and that remains our view.

Mr. Kenneth Clarke (Rushcliffe) (Con): I understood and supported at the time the idea that the competition laws had to be removed, because there was a serious risk of the collapse of one or other—or both—of the banks. That is no longer the case; the Government are now in a position to take a substantial stake in those banks if they remain separate, and they undoubtedly will do so if the banks merge. What is the point of setting aside competition law now? Why do the Government want to take a stake in a large bank that will have a dominant market share that would not have been permitted if the banks had carried on, financially solvent?

Mr. Darling: As the right hon. and learned Gentleman knows, we are proposing—I set this out yesterday—to take a stake in the merged bank. The decision to go ahead with the merger was primarily taken by the two boards; they considered it again at the weekend. It is still my view that the merger would not just be beneficial for them—that is their decision primarily; in the interests of financial stability, the two banks together would be stronger than the separate organisations. That remains our position, but, primarily, the decision to merge was taken by the two banks because they thought that to do so was in their best interests.

I want to get on to the Bill. First, I remind the House of the basic supervisory architecture that has been in place for the past 10 years and remains so. In addition to its prior existing functions, the Bank of England has, since the Bank of England Act 1998, also been responsible for monetary policy. It has a responsibility for ensuring financial stability, but that is not a statutory responsibility, and that is one of the things that the Bill seeks to change. The FSA brought together eight or nine different regulators. That was the right thing to do, and I do not think that anyone would argue for going back to the situation before then. Interestingly, the United States is seeking to follow that model, with legislation being proposed there to do the same thing. The Bank of England, the FSA and, of course, the Treasury—because of the wider public interest and financial interest—will remain essentially as they are. The one change that we propose is to give the Bank of England a statutory duty in relation to financial stability, and that is very important.

Mr. Gerald Howarth (Aldershot) (Con): If that minor change is all that is needed, perhaps the Chancellor could explain to the British people how on earth we have come to this pass. The FSA has been responsible for the authorising of individual practitioners in the banking business and allowed the ramping up of capital ratios, so that we have reached this dreadful state of affairs. Has the Chancellor got no explanation of how that happened under the regulation of the FSA, and no alternative approach to doing something about it apart from this minor tinkering?

Mr. Darling: Perhaps I should have stuck to my guns and gone through the Bill. We are not just proposing that one change: we are proposing many changes. However, the point I was making was that the basic architecture of the Bank of England having responsibility for monetary policy and an overall responsibility for financial stability, and the FSA regulating and supervising each individual institution, is right. We consulted on that point, and the vast majority of people said that that basic architecture was right. Of course, the FSA has to learn the lessons of what happened with Northern Rock and other institutions. As I said earlier, of course improvements need to be made to the supervisory regime, but no one is arguing that we should go back to the past, when the Bank of England regulated some aspects of the banking system but not others and we had eight or nine different regulators for everything else.

Several hon. Members *rose—*

Mr. Darling: No, I shall make some progress; otherwise it will not be fair to those who wish to speak in the debate.

The Bill will build on that framework, and I shall outline the broad scheme that it follows. Part 1 provides for a permanent special resolution regime that is at the heart of what is proposed. As hon. Members are aware, it will allow us to accelerate the transfer of a bank to another private sector bank or to transfer some or all of a bank's business to a publicly controlled bridge bank, on the way to a private sector sale. It will also modify the insolvency procedure and allow us to take a bank into temporary public ownership, should that be necessary. Part 1 also includes measures to strengthen the Bank of England, which I have touched on and to which I shall return, including a role in overseeing the inter-bank payment system because of its possible systemic importance.

Part 4 of the Bill will improve protection for depositors through the Financial Services Compensation Scheme, and it includes other measures to build confidence. I shall return to those points later, but I wish first to deal with the provisions in part 7 to strengthen the Bank of England. These will have a new statutory objective of financial stability. They will provide the Bank with statutory immunity as a monetary authority in pursuit of its financial stability objectives. The provisions will also establish a financial stability committee as a sub-committee of the court. That is important. The Monetary Policy Committee, which of course determines interest rates independently of the Government, has been a great success and other countries have followed our lead. We also need to bring in outside expertise to advise the Governor on financial stability. The court, which is at present too large at 19, will be reduced to 12 members.

The committee of court members will bring in expertise from the City and elsewhere to advise the Governor, and that will be important. It will ensure that the Governor has at his disposal a wider range of advice. Its deliberations will be made public, although probably not immediately in many cases for obvious reasons. In situations such as we have seen in the past few weeks, it would not be wise to provide a daily, weekly or even monthly commentary on what has been discussed, but the Bank will consider how the deliberations of the committee can be publicised when it is right to do so.

Clause 229 of the Bill, as I said earlier, will allow the Bank of England to provide liquidity assistance to building societies on the same basis as banks. In that difficult area, I wish to draw the House's attention to

further provisions on the disclosure of Bank of England assistance. The matter arose throughout last year, especially when we were dealing with Northern Rock in the autumn. The Bank must publish its balance sheet weekly at the moment, but that proved quite difficult in the autumn. Of course, the Bank published that information, but I am concerned that when we are trying to help an institution to get through a difficult period, the very fact that we are helping that institution can actually be quite damaging to it, as we found with Northern Rock. The Bill seeks to make changes to the situation.

I want to emphasise that we need to find a mechanism that allows the fact that there has been assistance to be dealt with transparently, whether in general terms or when matters with particular institutions are fully resolved. The Bank is reflecting on the matter, but I want to draw the House's attention to it as it came up in the Treasury Committee time and again. It was a live issue 12 months ago and it could potentially become an issue again at some stage in the future. It is important that we get that right.

As I said, part 5 of the Bill formalises the Bank of England's role in the oversight of the payment systems. That is important. The FSA regulates the recognised clearing houses, but the Bank of England will have a role in the oversight of the system as a whole.

Let me turn to the special resolution regime, which is key to much of what we are trying to achieve.

Mr. Michael Jack (Fylde) (Con): The Chancellor referred to the provision of information about what is going on in the banking system, but I can find nowhere in the Bill any statutory requirement to report to Parliament and the House on the conduct of banking, bearing in mind the substantial amounts of public money that are being invested in the schemes the Chancellor is outlining. Will he reflect carefully during the passage of the Bill on whether there should be a requirement for a statutory report about the conduct of our banking system to be laid before the House, perhaps every six months, so that the House can, if necessary, debate it?

Mr. Darling: I am sure that that point will be raised in Committee. The conduct of banking strikes me as a very wide subject—perhaps the subject of a book rather than a report. I am sure that the right hon. Gentleman, who is clearly making a bid to his Whip to get on to the Committee, might want to raise that point—

Mr. Jack *indicated dissent.*

Mr. Darling: The right hon. Gentleman shakes his head.

Let me turn to the special resolution regime. The Bill establishes a permanent special resolution regime that provides the authorities with options to deal with banks that get into difficulties and to protect depositors. By sheer coincidence, the provisions can be found in clause 4. We can protect and enhance the stability of the financial systems and public confidence, and we can protect depositors and public funds, and the Bill provides for an accelerated transfer to the private sector and sets up a bridge bank if such a provision is necessary. As I said earlier, the Bill provides powers to modify the insolvency procedure and allows for temporary public ownership.

In most cases, when a bank gets into difficulty the problems can be resolved either through regulatory interventions or voluntary action. The special resolution regime provides a clear regime for failing banks that removes control of the banks from management. It provides overriding powers over shareholders and directors.

The authorities will have clear and distinct roles. The FSA will lead in deciding that a bank is failing, as set out in clause 7. The Bank of England will lead in the operation of the special resolution regime, a provision that is set out in clause 8, but Ministers will retain control of decisions on public finances, as set out in clauses 66 to 70. The Financial Services Compensation Scheme will continue to deliver the payment of compensation.

The FSA will decide whether or not a bank is failing. It will have to consult the Bank and the Treasury before deciding that the conditions have been met. The Bill provides that the Bank of England can decide whether there is a systemic risk and that the Treasury can recommend to the Bank that action might be taken if it has been providing financial support for banks. The Bank then has two options: it can decide to transfer a bank to a third party or can transfer the bank's assets into what is known as a bridge bank, which is owned, established and controlled by the Bank of England, pending reconstruction. Thereafter, the bank can either be transferred in whole or in part to a private sector bidder as appropriate.

What the Bill does is provide a mechanism that is not there at the moment. That mechanism will allow us to take a bank that is in difficulties out of the hands of its present management and, if it cannot be sold to a third party, either put it into a bridge bank or, if necessary, take it into public ownership.

Mr. Osborne *rose—*

Mr. Andrew Pelling (Croydon, Central) (Ind) *rose—*

Mr. Darling: I shall give way first to the shadow Chancellor, and then to the hon. Member for Croydon, Central (Mr. Pelling).

Mr. Osborne: I am grateful to the Chancellor for giving way. One area of disagreement has been about who pulls the trigger on the special resolution regime. As he knows, we think that the Bank of England should have that power, and so too does the Governor of the Bank of England. Did the Governor not in effect demonstrate that he had the de facto power to do that when he prevented Bradford & Bingley from accessing the special liquidity scheme and therefore forced the rest of the tripartite committee to deal with a bank rescue situation? No doubt there was consultation, but he nevertheless had that power. If the Bank of England has that de facto power, would it not be better to put it formally in the Bill, so that it can be properly considered by Parliament?

Mr. Darling: I had rather thought that the hon. Gentleman was now not insisting on that point, but he mentioned Bradford & Bingley. There comes a point with the special liquidity scheme when the Governor of the Bank of England has to form a judgment as to whether it is prudent to keep providing an institution with funds if he thinks that it will not get through.

[Mr. Darling]

The hon. Gentleman will recall that Bradford & Bingley had difficulties in the summer and autumn. It became obvious—not just to the Bank of England but to us at the Treasury and to the FSA—that the question was whether it would fail on the weekend that it did fail or whether it could struggle through the following week. I took the view, as did the Governor and Lord Turner, that we should not take the risk of trying to run the bank through the week. The hon. Gentleman will know that it is much more difficult to resolve a problem when markets are open, but in any event the FSA came to the view on that particular Saturday—I forget the precise date in September—that Bradford & Bingley no longer met its threshold conditions.

There was never any disagreement between us. I think that there was an inevitability about the fact that Bradford & Bingley was getting into difficulties, but what we did was triggered by the FSA saying on that Saturday morning that it had looked at the matter and decided that the bank no longer met its threshold conditions and that it therefore could not take any deposits from the following Monday. That is why we had to take the action that we took.

What happened with Bradford & Bingley again demonstrates the use of the legislation that we have now, through the special provisions, and which we want to replicate in this Bill. It was possible at least to separate out the bank's branches which, as the hon. Gentleman will know, were sold to Abbey Santander. That safeguarded the interests of savers although, for reasons that I think that most people will understand, it was not possible to find a buyer for the remaining part of the bank.

Mr. Pelling: I thank the Chancellor for giving way, and my question has to do with the special resolution regime. He has said already that the US may follow the Government's lead on recapitalisation, but why has he set his mind against the idea of taking bad debts off the balance sheets, as America's troubled assets relief programme attempts to do? Will the special resolution regime still allow that capability to be used as a public policy tool if it is judged to be appropriate in the future?

Mr. Darling: The Americans have decided on an approach that is suited to the present position of American institutions. The special liquidity scheme does something similar, with the difference that, instead of the taxpayer taking on what might be called the toxic assets, in our system the risk stays with the banks. The scheme has worked quite well, and I announced last week that I had authorised support worth £200 billion.

I think that the scheme is working, but I refer the hon. Gentleman to the point raised by the shadow Chancellor. In practice—and unfortunately we have had some practice over the past few months—there was no dispute among the three people who had to make the decisions in relation to Bradford & Bingley. It was quite obvious what we had to do, but the model that we have is based on the regulator—the FSA—finally saying that a bank has failed its threshold conditions. Only it can decide that, and that is right, although the Bill makes it clear that there has to be consultation.

There are three options for dealing with a failed bank. We can transfer it to a private sector purchaser or, so that we can decide how best to proceed, to a publicly controlled bridge bank. Also, if necessary, there is temporary ownership as a backstop. There are also powers in part 1—clauses 42 and 11—to allow for partial transfers, as in the case of Bradford and Bingley. That gives the necessary flexibility.

Mr. John Redwood (Wokingham) (Con): When these difficult judgments are being made, it appears recently that the regulators want a higher tier one capital ratio, and that lies behind the recent capital raising. Is it the ambition to do it all by raising more money, or will some of it be done by reducing the amount of borrowing?

Mr. Darling: As I said yesterday, certainly in relation to RBS, HBOS and Lloyds, capitalisation was by the Government investing capital in those banks. The other banks have decided to proceed in a variety of ways, as I set out.

Clause 65 of the Bill gives us powers to disapply various pieces of legislation. I want to make it clear that that will be done only in pursuit of the powers necessary to make the Bill work—for example, in relation to the competition regime or to modify insolvency legislation. I dare say that the clause, like other parts of the Bill, will be discussed in Committee, and if there are improvements that we can make, we will do that.

Briefly, part 3 deals with the administration procedure in case it is necessary to provide services from one part of a bank to another part that has been transferred to another party. Part 2 also means that any liquidator who is appointed will have to work with the Financial Services Compensation Scheme to ensure prompt payouts to depositors.

Part 4 deals with the FSCS. Clause 156 deals with the issue of pre-funding. My view is that in an ideal world the schemes would be pre-funded because when a claim is made against them, the chances are that it will not be the only claim by the only institution. To have funds available already would clearly be sensible. However, for us to attempt to pre-fund the FSCS in the current climate would exacerbate an already difficult situation. I made that clear in connection with what we did with Bradford & Bingley, and I hope that the House will support me on that.

There is also provision in the Bill in relation to Scottish bank notes. We had extensive discussions with the issuers of Scottish notes and Northern Irish notes. We want to bring the law in Scotland into line with the law in the rest of the United Kingdom so that, put simply, the holder of a Scottish bank note can expect to obtain the full face value of the note in the event of the bank getting into difficulty. That was not the case before; it is now the case. That is why we are making this change. It has the agreement of the Scottish and Northern Irish banks, and I hope that the House will approve it.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): There is concern about what the new definition of "authorised bank" in the Bill would imply for future mergers of Scottish banks and whether the legislation would allow the same quota of notes to be issued by a newly merged bank.

Mr. Darling: If there is any difficulty with that, I will happily look at it, but it is our intention that the notes will still be issued by the banks. If any difficulty is caused as a result of any changes, of course we will look at it.

The final part of the Bill to which I want to draw the attention of the House is clause 214, which provides powers to the Treasury to use public funds to protect depositors. We need to make some changes; the clause would help us to deal with the situation that we have with the Icelandic banks. I can tell the House that negotiations with the Icelandic authorities are continuing, and I hope that we will have something more to say about that in the not-too-distant future.

The Bill is, of necessity, lengthy, but it will provide us with the options that we need on a permanent basis to deal with the situation that we have seen over the past year or so. It is sensible and prudent to have the Bill on the statute book on a permanent basis. I repeat what I have said on many occasions. We will continue to have the special powers at our disposal until February next year. I hope that we will have the Bill enacted to take over from then. We will continue to do whatever it takes to ensure the stability of the financial system. That is absolutely imperative, and I commend the Bill to the House.

5.9 pm

Mr. George Osborne (Tatton) (Con): Yesterday, of course, we discussed the massive bail-out needed to deal with the near-collapse of the banking system. Today, we will debate how to prevent such a near-collapse from happening again, and how to make sure that such a bail-out is never again required. Let us be clear: when a house is on fire, it is right that all hands go to the pump, which is why we offered our constructive support. However, when the smoke has cleared and we see the debris around us, we are entitled to ask who built the house, who let it catch fire, and how we rebuild it so that it never catches fire again.

The Bill goes some way towards making the changes to our banking laws that are needed to give the Government the power that they need to deal with a bank failure. That is why we support it, and why I made an offer of support to help get the legislation through by the time that the Northern Rock powers expire. However, we believe that the Bill could go further, and I shall go on to explain why.

Giving the Government the power to deal with a banking crisis is one thing, but preventing such a crisis is quite another. The legislation is mainly about dealing with a bank once it has failed. I would have liked to see more far-reaching changes to the management of overall debt levels in the economy, and a strengthening of the Bank of England's role in that process. However, as I say, the measures in the Bill are welcome, as far as they go. Indeed, we on the Conservative Benches proposed quite a few of them.

Stephen Hesford (Wirral, West) (Lab): As I have previously reminded the House, the hon. Gentleman is on record as saying that no Government could have foreseen the sub-prime mortgage tsunami that has hit the system. If that is right, and if he sticks by what he previously said, I am not sure what point he is now making. We were hit by circumstances that we could not have foreseen, and are dealing with them.

Mr. Osborne: If the hon. Gentleman does not think that a regulatory system has failed when one ends up having to nationalise half the banks in the country, he may not have been paying attention to recent events. I was going to make this point later, but I will make it now—

Stephen Hesford *rose—*

Mr. Osborne: Let me answer the point that the hon. Gentleman raised in his intervention. The Prime Minister talks about international co-operation between regulatory systems. Of course, no one is against that, but an international system will not regulate the sale of sub-prime mortgages in Alabama; we will have to rely on the US regulatory system to do that. Nor will an international system prevent the sale of mortgages in this country to people who cannot afford it when house prices turn down. That was part of the problem with Bradford & Bingley, as was the closure of the wholesale markets. Of course we want greater co-operation, but surely the regulatory system that we are hoping to design—not just by means of the Bill, but perhaps through future legislation—would help us to deal with the situation that has developed over the past year and prevent it from happening again. If the hon. Gentleman does not want to prevent it from happening again, that is rather bizarre.

Mr. Charles Walker (Broxbourne) (Con): Does my hon. Friend not agree that it was crazy for the Financial Services Authority and the Bank of England to allow Northern Rock to offer mortgages in excess of 100 per cent. of the value of a property, and sometimes worth up to 125 per cent. of that value? Also, was it not crazy to allow self-certification of income? People could just pick a number, and the banks and building societies would accept it.

Mr. Osborne: I certainly think that we need to learn the lesson that one cannot build an economy on unsustainable levels of personal debt. The Opposition made that point—and, more to the point, so did the Bank of England on various occasions. The International Monetary Fund also said that there were concerns about levels of indebtedness and so on. My hon. Friend's point is therefore well made.

Mr. Brian H. Donohoe (Central Ayrshire) (Lab): Did the shadow Chancellor endorse yesterday's £37 billion intervention, or did he not?

Mr. Osborne: Yes, I did endorse it, from this Dispatch Box. After all, not only must the Government decide how to deal with the crisis, but the Opposition must decide how to respond to it. The decision that I took, and the judgment that my right hon. Friend the Leader of the Opposition made, was that in this time of banking and financial crisis, and faced with the near-collapse of the entire system, we would give our support to the measures that the Government were bringing forward. Indeed—this is a point that some Labour MPs have put to me—I actually talked about recapitalisation before the Chancellor did. We made our suggestions and, as I say, we are very happy to support the specific measures— *[Interruption.]* The Chief Secretary to the Treasury should appreciate the fact that the Opposition in this

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country, unlike Oppositions in other countries, have done their best to support the Government in decisions where the Government are rightly taking on public opinion, which might question why very large sums of public money need to go into propping up banks. We have gone on television and radio and tried to explain as well as she has why that is the case.

On the specific measures in the Bill, we proposed quite a few of them ourselves. Last December we urged the Government to give the Bank of England new powers to put failing banks into a special resolution regime. I shall come on to that. For a considerable time we have been urging that the Government raise the level of deposit protection for savers, and I am pleased that that has now been done. We would like to see the system of payments speeded up, and I know that the FSA is considering that. All of us would welcome a faster pay-out system, as it would help build consumer confidence.

With reference to the Bank of England, I would go further than the Government on some of the appointments. I shall come to that later. I am glad that there are clauses in the Bill that take us in the right direction. That is why we have no problem backing Second Reading. Even with the commitment to ensure the Bill's passage by February, plenty of time is still left for debate and proper scrutiny, and to learn the lessons of what went so disastrously wrong with the regulatory system created by the Government a decade ago.

One thing is clear: we need that system to change. We cannot end up having to do a multi-billion pound bail-out again. When one looks at the work that has been done—for example, some of the internal reports by the FSA, and some of the work by the Treasury Committee, which I commend for its two excellent reports on the subject—it is clear that the FSA comprehensively failed to see the problems in our banking system develop, the Bank of England, by its own admission, took its eye off the ball in respect of financial supervision, and the Treasury encouraged an economy to grow on the back of unsustainable debt.

The Bill's regulatory impact assessment, usually a fairly dull document when produced by Government Departments, is remarkably candid about the shortcomings of the regulatory system created by the previous Chancellor of the Exchequer. Page 7 states:

"The problems faced by Northern Rock plc in 2007 demonstrated...that the then existing arrangements for dealing with banks in distress did not adequately uphold"

consumer confidence,

"thus exacerbating the threat of financial instability."

That is the Treasury's own assessment of the regulatory regime that the Treasury created. In its own words, its arrangements made things worse, not better—they exacerbated the threat of financial instability. That view is shared by the Treasury Committee in its reports. Its various reports point to the systematic failure of the FSA in its duty as a regulator and the fact that the Bank of England was left

"in a no-man's-land"

by the changes.

The public will draw their own conclusions about who was responsible for the mess. I dare say that the man who oversaw the creation of the regulatory regime will come in for some blame. However, the question before us today is how we put matters right for the future. Let us start with what we would like to see from an ideal regulatory regime and use those principles to judge what is in the Bill and what the Government might propose after Lord Turner's report.

First, a regulatory regime should protect us from the kind of systemic risk that we have seen in the past month. Secondly, it should ensure that we can identify problems in individual institutions long in advance, such as unstable business models or risky bonus schemes, and deal with them in a way that prevents contagion to the rest of the system. Thirdly, a regulatory system should give the authorities the full powers that they need to step in and deal with banks if neither of the first two conditions is successfully met. We have discovered that if nationalisation is the only lever that we can pull, pretty soon we end up owning half the mortgage business in the country.

Fourthly, a regulatory regime should protect the consumer from being treated unfairly or being mis-sold products. In all this, we should not lose sight of consumer protection. Fifthly and last of all—this will be the most difficult balance for us to get right in the coming months—a regulatory system should be proportionate and fair. At the end of this, we do not want the City of London simply to go to New York. We must remember that financial services are still, for all the press that they attract at the moment, our largest and most important industry, and they employ people not just in the City of London, but in Edinburgh, Leeds, Bristol, Birmingham, Cardiff and Manchester, and in every single constituency in this country.

Mr. Henry Bellingham (North-West Norfolk) (Con): Has my hon. Friend made any estimate of the chronic deficiency in money coming into the Treasury coffers that will result from these banks and other financial institutions now either breaking even or making a loss, and the number of people who will lose their jobs throughout the country, including in cities where major insurance companies are located? There will be a huge loss of Treasury revenue. Has he estimated how big that loss will be?

Mr. Osborne: My hon. Friend raises an interesting point that the House will have to deal with in the next year, which is that we have basically created a revenue regime that assumes successful and profitable financial services. We rely heavily on corporation tax receipts from the City and we rely on income tax receipts from wealthy individuals, and as well as coming into this economic downturn with a structural budget deficit because tax revenues were not matching spending, we face another kind of structural deficit, which is that the way that we have collected taxes means that the revenue streams that we have depended on and that the Treasury has put in its long-term forecasts, will, I suspect, not be there. That will be the case not simply through this current economic downturn, when tax receipts fall and spending rises, as always happens in an economic downturn, but for the foreseeable future. The cash cow of the City will not be there and that will pose some difficult questions for the Chancellor of the Exchequer and perhaps those who come after him. That is something that we could debate on another occasion, but my hon. Friend makes a good point.

I want now to go through some of the details of the legislation, as the Chancellor did, and to deal with the central measure, the special resolution regime. I positively welcome the fact that the Government are giving themselves powers, or what they call tools, other than nationalisation or part-nationalisation, to deal with a bank failure. There are the new powers to create a bridge bank or facilitate a private sector purchase, which again the Government rightly say is the one solution most likely to maintain financial stability, provide continuity of banking services and protect public funds. Of course, there are also the important powers—extraordinarily, the current law did not allow us to do this—to put a bank into insolvency. It is correct that those matters should be addressed in this legislation.

It is important for the House to understand that, when we are discussing the special resolution regime, we are talking about extraordinary powers to seize private property and to dismiss privately entered into contracts and loans, potentially wiping out the savings and investments of millions of small shareholders who have ordinary shares in banks, many of whom are the employees of those banks, working in the bank branches and the call centres. We can only contemplate the use of such powers because of the central role that banks and financial institutions play in our economy, and that justifies not just the bail-out yesterday, paid for by the taxpayer, but the extraordinary powers that the Bill grants.

However, much rests on the circumstances in which the new powers would be exercised, and in particular there is an interesting debate to be had over the power to set aside the claims of creditors. We should remember that in all the different actions that the Chancellor has taken—Northern Rock and Bradford & Bingley, and the action that he took yesterday—to my knowledge, he has never set aside the legal claims of the majority of the creditors. In what circumstances would he in future wipe out the creditors? What would the threat be that would force him to do that? The very fact that the threat is on the face of the Bill is something that, for example, the banking industry is concerned about. In commenting on the Bill, the British Bankers Association puts it like this:

"without appropriate safeguards, interference in creditor rights would undermine the competitiveness of UK financial services firms and inflict serious damage on the role of London as an international financial centre."

As I say, there must always be a balance between the interests of the taxpayer, protecting the stability of the system, and maintaining the competitiveness of the City of London, but if there is concern about the powers—they were not used in the extraordinary circumstances of recent weeks—it might be good to hear from the Government about the kind of scenario in which they might be used, and that might be set out in the code of conduct, which I am glad that the Chancellor promised we would be able to have sight of at some point in Committee before we discussed the particular issues around the special resolution regime.

Mr. Redwood: My hon. Friend is making some very sensible observations on what a regulatory structure should do. However, should such a structure not also act at a much earlier stage, before a bank is greatly overstretched and in trouble? It should say privately to such a bank, "We expect you to rein in your lending, raise more capital, cut your dividend or cut your costs because we think that your balance sheet is getting too bloated."

Mr. Osborne: My right hon. Friend is absolutely right; that is a key part of prevention. In a short while, I shall propose extra powers that I think the Bank of England should have, and a new relationship between the Bank and the Financial Services Authority which would help ensure that what he suggests is done on a more systematic basis.

Mr. Mark Todd (South Derbyshire) (Lab) *rose—*

Mr. Osborne: I shall give way to the hon. Gentleman, and then move on.

Mr. Todd: The previous intervention was very apposite because it referred to the private process of briefing those in the financial sector on their behaviour. The importance of privacy in these matters was drawn to my attention when I looked at the article on bank capitalisation by the shadow Chancellor's colleague, the hon. Member for Chichester (Mr. Tyrie); it appeared rapidly to have succeeded a meeting that the shadow Chancellor held with the Governor of the Bank of England on confidential terms. Can the shadow Chancellor assure us that he did not brief the hon. Member for Chichester for the basis of that article following that meeting?

Mr. Osborne: The hon. Gentleman is slightly confusing the attack point that he wants to make; he is roping in my hon. Friend the Member for Chichester (Mr. Tyrie), and that has not been the main line that No. 10 has taken—this does not apply to the Treasury, to be fair—in briefing against me for the past week while we have been trying to offer some cross-party support for what the Prime Minister has been doing. *[Interruption.]* Let me make it absolutely clear to the hon. Gentleman: I did not, and neither did my colleagues on the Front Bench, take any private briefing from the Bank of England and repeat it on any television programme or in any newspaper article. The issue of recapitalisation, or the possibility of it, had been discussed openly in the press for some time; Martin Wolf had written a fairly convincing piece about it in the *Financial Times* the previous week. More to the point, Dominique Strauss-Kahn, the head of the International Monetary Fund, had said, also in the *Financial Times*, that recapitalisation was the approach that European Governments should be considering, rather than the TARP—troubled assets relief programme—approach put forward by the United States.

I know that the Prime Minister now casts himself in the roles of Churchill and Roosevelt in dealing with this crisis, but the idea that somehow recapitalisation was not being discussed across the world is somewhat bizarre. By the way, I met all the different members of the tripartite committee that week; the idea that I took a private briefing and repeated it is simply not true. I give the hon. Gentleman and the House that assurance—not, I suspect, that that will stop the Prime Minister's boot boys from doing their job.

Before I move on, I want to touch on one point about the special resolution regime: the trigger. As the Chancellor said when I intervened on him, I do not intend to insist on this point, but I draw the House's attention to who

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exactly pulls the trigger. No one doubts that the FSA should pull it, but there is some disagreement about whether the Bank of England should also have access to the trigger. The Governor of the Bank of England told the Treasury Committee that he felt that he should have that power. We were convinced by his arguments to the Committee. We have spoken to regulators and central bank governors in other countries and we know that they can see an argument for a central bank having such a trigger. All I say to the Chancellor is that although we will not insist on the point—we will not try to get the House of Lords to insert it into the Bill—we reserve the right to return to the issue later. Although between its first report in January and its second report in September, the Treasury Committee amended its view on whether the Bank of England should have the explicit trigger, it said that the Bank should have explicit powers in primary legislation to recommend the pulling of the trigger to the FSA; such a provision, however, is not in the Bill.

Moving on to part 4 of the Bill, I welcome the increase in the deposit protection limit to £50,000, and we are glad that the Government have agreed to it. It would be interesting to hear whether there are any further proposals on that, given that some Governments around the world are still increasing their deposit protection limits and issuing general guarantees. The key thing is that people have rapid access to their money, and it will be interesting to know when the FSA will introduce its proposals.

Although it is not directly relevant to the Bill, with your indulgence, Madam Deputy Speaker, I ask the Chancellor—or whoever from the Treasury will reply in this debate—to tell us how he intends to deal with Equitable Life, which is another compensation issue that arose from a failure of regulation. We have the parliamentary ombudsman's report and we are awaiting the Government's reply. Most people would regard it as somewhat bizarre that the Government can compensate people—quite rightly—for losses in foreign banks because of regulatory failures in Iceland, but cannot compensate people for losses caused by regulatory failures in the UK in relation to Equitable Life. It would be interesting to know when the Government propose to deal with that.

I shall touch briefly on clause 156 and pre-funded compensation schemes. I know that the Government are giving themselves the power to have a pre-funded scheme, but the Chancellor knows, as he acknowledged, that the industry is nervous about that. The Association of British Insurers says that it would impose a heavy cost on the financial services industry that is undesirable given the current economic weakness. In what circumstances would the Chancellor consider introducing a pre-funded scheme? Would there be some test about how strong the industry had become? Such a test is not likely to be passed for a considerable period.

On the new structures and procedures for the Bank of England, more than two years ago, we proposed that appointments to the Monetary Policy Committee should be more transparent and made in the way that other Government appointments are. I am glad that there has been some movement in that direction, but we could do more to entrench the independence of the Bank. Recent events have shown that there is no shortage of politicians who are willing to jump up when times get difficult and call for the Bank's independence to be suspended—indeed, the hon. Member for Twickenham (Dr. Cable) was one of them—but it would be more serious if the Chancellor or Prime Minister of the day was tempted to use the power to reappoint the Governor for political purposes. Whether it was intentional or not—we have our own views on that—we have been through the reappointment of Eddie George and Mervyn King, and in both cases the decision became somewhat charged. Our proposal is that, rather like the European Central Bank and other central banks, we should move the Governor to a single, non-renewable term so that there is no question of independence being challenged by a reappointment.

Susan Kramer (Richmond Park) (LD): Do I gather that the shadow Chancellor would not support in an emergency some temporary adjustment to the remit of the Bank of England to allow it to set aside the strength of its commitment to inflation targets, and to allow the interest rate to be set to deal more with the crisis in the economy?

Mr. Osborne: I absolutely would not allow the Bank of England's remit to be changed in a crisis. There is no point having an independent central bank if at the moment we get any kind of trouble we suspend the remit or change the target. No independent central bank in the world would last if that were the case. The target set by the Government includes not just an inflation target but a responsibility on financial stability, and as last week's decision by the Governor demonstrated, he is perfectly capable of taking into consideration broader issues of financial stability as well as his inflation target remit. Frankly, it would not be sensible to suspend the independence of the Bank. The very concept of suspending independence is almost a contradiction in terms. It would not be independent.

Susan Kramer: The shadow Chancellor keeps using the term "independence of the Bank of England", but surely it is within the gift of the Chancellor to set the inflation target, therefore putting in abeyance or adjusting the inflation target, which still leaves the Bank independent to make a decision on the facts as it sees them.

Mr. Osborne: Again, I come back to the point that if the Chancellor of the Exchequer changes the target in the middle of a crisis, and basically mandates the Bank to pursue another course, we cannot properly call it an independent central bank. While the hon. Member for Twickenham has said some sensible things in the past year, I do not think that that was one of them. I am sure he is reconsidering his position, or is at least glad that his course of action was not pursued and that the Governor was able, within his existing remit, to act in the way that the hon. Gentleman wanted. By the way, I do not think that it is particular sensible either for politicians speaking from the Front Bench to call on the Bank to cut or increase interest rates. Indeed, I make it a practice not to comment on them.

Finally, let me turn from the structure of the Bank of England to something that is not in the Bill but should be—this addresses a point that my right hon. Friend the Member for Wokingham (Mr. Redwood) made to me: the central issue of how we prevent problems from arising, as well as how we deal with them once they have

arisen. We should use this opportunity to make some more far-reaching changes to our system for regulating banks and controlling debt levels in the economy. We have learnt the hard way that we cannot build an economy on excessive debt. We have also discovered that no one has the power in our system to call time when debt levels become unsustainable.

The Bank of England used to have that power, but unfortunately the previous Chancellor took it away in 1998. Most people can see now that that was a mistake, for the result was that, despite the warnings from the IMF and the Bank of England itself that growing levels of debt in the economy were not sustainable, nothing was done to stop them. That needs to change. We need to give the Bank of England the power to call time on excessive debt. The Bill does not do that. For all its references to the Bank's role in financial stability, it contains no formal system for the Bank to implement its concerns about market-wide risk. That is a surprising omission, given the events of last week.

Mr. Russell Brown (Dumfries and Galloway) (Lab): The hon. Gentleman makes a plea about intervention, but could he share with the House his views on how that intervention would happen without its becoming an act of the nanny state?

Mr. Osborne: Of all the weeks to make that argument, I am not sure that this is the best one. However, I was coming on to exactly how that intervention should be made. We should create a new statutory requirement on the FSA to take into account the Bank's assessment of market-wide risk when setting capital and liquidity requirements on individual banks. We would call that a debt responsibility mechanism. The Bank of England would be required on the basis of legislation to write a regular open letter to the FSA setting out its assessment of market-wide risk and levels of debt in the economy. The FSA would then be required to outline how it would respond to those recommendations from the Bank.

That would force the Bank of England to maintain an active role in macro-prudential supervision and would force the FSA to consider an institution's risk not just in isolation or at a certain point in time, but in terms of the market context and through the economic cycle. That means that the regulator would have the power to take pre-emptive action to control the overall lending of banks in the system when there was a danger of an asset boom.

We have to address the problem—in the end, the solution offered by Alan Greenspan, the honorary economic adviser to the Prime Minister, did not sufficiently address it—of how we deal with asset price booms. We have got independent central banks to deal with retail price inflation, but how do we deal with asset price booms? After the events of the past month, the Greenspan approach, from the man who opened the new Treasury building, which is just to let the bubble burst and pick up the pieces afterwards, is clearly not one that we should allow to be taken again. Tackling that point will be a big issue for debate, not just in democratic Parliaments, but in central banks.

Mr. Pelling: Is not the fact that no one was responsible for dealing with asset price inflation fundamental to the crisis that we have faced? The easing of credit during the dotcom boom and the previous Asian financial crisis meant that we stoked up the problems that have had such severe consequences. It is only by imposing those additional responsibilities on the authorities that such crises can be prevented in future.

Mr. Osborne: The hon. Gentleman is right. We should seek to apply capital adequacy requirements in a counter-cyclical way. In an open and global market, that is obviously best done in co-ordination with other central banks and through the Basel arrangements, if they can be reformed. We suggested that as long ago as March, and it is good that that line of thought is also being pursued by the European Central Bank and the Federal Reserve.

Yesterday, the Prime Minister appeared to acknowledge, apparently for the first time, that that Conservative idea might have some merit. He said that in future banks

"have got to lay aside more for the possibility that there will be contractions".

Perhaps that is the Prime Minister's way of admitting that he did not actually abolish boom and bust; and that one needs to fix the roof while the sun is shining—

Frank Dobson: Does the hon. Gentleman think the Government should have put the money in a bank?

Mr. Osborne: I am sorry that the right hon. Gentleman does not like the phrase, but it was in the Prime Minister's conference speech, so if we are not allowed to repeat it in the Chamber of the House of Commons, we have come to a pretty pass. It is a shame that the Government have not used the Bill to enact the kind of future-looking changes to the regulatory system that would ensure that that happened.

We will give the Bill our support and help its passage because we support the measures in it, not least because we proposed some of them, but we will also remind people of the 10 years of economic policy and regulatory mistakes that brought us to the point at which the banking system in this country was on the verge of collapse and the taxpayer had to bail it out. We will offer people the kind of far-reaching changes that will not only enable us to deal with banks that have failed, but help us to prevent those failures in the first place, by ensuring that we never again build an economy on unsustainable debt.

Several hon. Members *rose—*

Madam Deputy Speaker: Order. I remind all hon. Members that Mr. Speaker has imposed a 15-minute limit on all Back-Bench speeches.

5.41 pm

John McFall (West Dunbartonshire) (Lab/Co-op): Thank you, Madam Deputy Speaker, for giving me the opportunity to contribute to the debate. I welcome the introduction of the Bill, and the cross-party approach to the measures to deal with the banking crisis. The Treasury Committee has led the way in forging a cross-party approach to the issues relating to banking that have arisen since the run on Northern Rock in September 2007. We have produced two reports on the legislative changes that we identified as arising from the experience of Northern Rock. One, "The run on the Rock", was published in January this year. The other, entitled "Banking Reform", was published in September.

[John McFall]

There are clear signs in the Bill that our reports have helped to shape it, as it stands, although I suggest that there are still areas for improvement during its parliamentary stages. I want to look at four main areas today. The first is the immediate context, and how that affects our approach to the Bill. The second is the special resolution regime and the bank insolvency provisions. The third is depositor protection, and the fourth is the governance of the Bank of England.

On the immediate context and how it affects our approach to the Bill, it hardly needs to be said that a great deal has changed since we published our report in mid-September. However, recent events have reinforced the point that we made in both our reports that banks are special institutions with a special role in the economy.

The Treasury Committee returned last week from a visit to Japan, a country whose Government massively, if belatedly, recapitalised its banks in response to the crisis that it faced in the 1990s. During our visit, it became obvious to us that the role of the banks in the economy was equivalent to the circulation of blood in the body. If the blood stops flowing, there is a thrombosis, and that is what we have seen in the banking system in this country. The recent massive transfusion of capital into the British banking system demonstrates that the Government have learned many of the lessons that were emphasised to us during our visit to Japan, most notably the need for swift and decisive action and, secondly, the need to attach conditions to recapitalisation relating to lending and the running of banks, making it clear that the days of business as usual for bankers are over.

The capacity of the Government, together with the Bank of England and the Financial Services Authority, to act effectively in the current crisis does not mean that new legislation is any less necessary. In fact, one of the key lessons that we learned in Japan was the difficulty of returning to what were described as "normal conditions" in the banking sector. The new legislation will serve as a crucial pillar of the public sector approach to banking in what we eventually consider to be normal times.

The second item on which I want to focus is the special resolution regime and the bank insolvency provisions. The Bill provides a welcome return for the Bank of England to the heart of financial stability—something that the Treasury Committee has been calling for since we produced our report, "The run on the Rock". In that January report we argued that the authorities should design bridge-bank and third-party transfer arrangements for struggling banks in order to provide alternatives to the nationalisations that we saw with Northern Rock and others more recently. I welcome the fact that the Government have accepted our recommendation and devised a special resolution regime.

The Bill confirms that the Financial Services Authority should pull the trigger, placing a financial institution into that special resolution regime. Our September report on banking reform agreed with that position, recognising that there should be a clear line of responsibility, but we also recognised the need for the Bank of England to have a check on the process, with specific legislative provision to enable the Bank formally to recommend that the FSA place an institution into the special resolution regime. That came out of our experience with Northern Rock, when we decided that there should be no hiding place for the Bank of England, the FSA or the tripartite authority. Records should be made public immediately or later on. We suggested that such a check would focus minds in the Bank and the FSA, ensuring that every i was dotted and every t crossed in the regulatory process.

I accept that now is not the time to let further banks fail in the sense of their becoming insolvent. Any such bank failure would currently represent a systemic risk to the financial system, further undermining the already fragile confidence in the banking system. However, in the longer term it is important to have a specific insolvency regime for banks, and the Bill provides for that.

Mr. Redwood: I am grateful to the Treasury Committee Chairman for giving way. Has his Committee considered whether there should be any limit on how much a Government should be able to borrow and commit to bank rescue?

John McFall: We have not specifically done so, but if the right hon. Gentleman is asking for my opinion, I should tell him that I do not think that there should be a limit at the moment. I go back to my point that the banking system is the blood circulating around the economy, which is what makes it so important in securing financial stability. Once that stability is established, we can look at other issues later.

The Treasury Committee also considered depositor protection and we concluded in our January report that such protection afforded by the Financial Services Compensation Scheme was a mess: it was complicated, confusing and did little to instil confidence among savers. We took a fairly relaxed view about the level of the compensation limit and we saw little reason to increase it from £35,000 to £50,000. We believed that more than 80 per cent. of deposits were saved, although not deposits by value. The goalposts have moved considerably since then with other countries unilaterally increasing their protection—in some cases, to 100 per cent. of deposits, as we saw with the Republic of Ireland. It is therefore sensible for the FSA to move into line with our peers in order to prevent the danger of drainage of deposits from UK banks.

Even more important to our Committee was the speed of payout. The Financial Services Compensation Scheme website refers to recipients of compensation having potentially to wait months for access to their funds. That is simply not good enough, so we urge the Government to stand firm on the tough, seven-day deadline for processing compensation. In fact, the real test of the FSCS will be whether it can deal with the fallout from the Icelandic banks in a speedy manner.

An important precursor to speedy payout is that the relevant data are to hand. On our visit to Japan, we saw that banks were required to have frequently updated depositor information available in a common format for the use of the deposit protection institution. I know that the banks here are reluctant to do the same; they say that it will be preposterously costly, but at least one bank is able to provide such information in the UK—the Abbey bank. In its submission to the Treasury Committee, it told us that it was already doing it. If Abbey can do it, why cannot other banks do the same? That is absolutely necessary if the public are to have the confidence in the

banking system that they need. The Government need to ensure that similar arrangements are in place across all banks in the UK.

Other concerns that we raised about the FSCS were the complexities of protection by bank, rather than brand, and the coverage of deposits held in foreign-owned banks. The recent confusion over Icesave deposit protection underlines the point. For deposit protection to be of use, it must be simple and well understood.

Our Committee continues to see merit in a pre-funded compensation scheme whereby banks contribute more in boom times than in bust times. When the hon. Member for Sevenoaks (Mr. Fallon) and I visited Washington last December, we were told by the American Institute of Banking that that was a necessity. It is important, therefore, to make preparations now for the introduction of a pre-funding scheme in readiness for the next financial crisis, although we hope that it will not happen. However, I accept that now would not be the most opportune time for the banks to start contributing to such a scheme: pre-funding would be a medium to long-term innovation, to commence only once banks were better capitalised.

Much of the Committee's report last month focused on the governance of the Bank of England. It is disappointing to note that there is little sign, as the Bill stands, that account is being taken of our recommendations—although, in fairness to the Government, I must add that they have been faced with a tight timetable. I hope that the Minister who replies today will be able to indicate that they will give careful consideration to our proposals.

Let me highlight two important concerns about the Bill. First, its proposals relating to the financial stability committee are unsatisfactory. The committee is to have a non-executive majority and a largely advisory and monitoring role, but is to be chaired by the Governor. In our report, we argued that the FSC should be established as an executive body, completely distinct from the court and with a status comparable to that of the Monetary Policy Committee.

Secondly, we are not convinced that the general financial stability objective currently proposed for the Bank of England is properly calibrated to its actual functions. As we said in our recent report,

> "There is no consensus about what financial stability means, how it should be measured and how the balance should be struck between the pursuit of a financial stability objective and other public policy objectives. There is no indication that a new statutory objective for the Bank of England would be accompanied by matching objectives for the Financial Services Authority and the Treasury. Above all, the Bank of England, while being endowed with certain financial stability functions and powers, is not being granted a coherent set of instruments in order to influence financial stability."

We proposed two functional objectives rather than one general objective. That is one respect among many in which I hope that a good and well-timed Bill will become even better as it passes through the House.

At the beginning of his speech, the Chancellor said that he would work constructively with others. As he knows, ours is a cross-party Committee. We worked for 12 months on proposals on which we have agreed, and I think that they are worthy of further consideration. We need a strengthening of the Bank of England, and an enhancement of the status of the financial stability committee to make it commensurate with that of the Monetary Policy Committee. We need to ensure that the tripartite authority does not become a sleepy backwater in normal circumstances; it must be constantly alert, and financial stability must be one of its key aims. We must also develop robust protection for depositors, because if that is not achieved, public confidence in the banking system will be undermined.

I bring those constructive comments—developed over 12 months on a cross-party basis—to the Chancellor's attention for further consideration in Committee, and I wish the Bill well.

5.54 pm

Dr. Vincent Cable (Twickenham) (LD): Today's debate is a little surreal. Although we are still in the middle of an enormous crisis, the Bill deals only with certain parts of it, albeit in a sensible and helpful way. I think we have exhausted "burning house" analogies, so let me produce another analogy: we are still experiencing the shock of a major tsunami wave. Bodies are still being fished from the waters and people are still being rescued, yet here we are debating how to set up a tsunami detection scheme and rebuild developments.

That sense of reality was captured, to an extent, in the closing paragraph of the House of Commons note, in which someone beavering away in the House's research department wrote, rather sadly, "It is a measure of the pace of events that reaction to the Bill's publication has been virtually drowned by other events." It merited not a single mention in any of the serious newspapers. We are dealing with something which, although important, is in a sense not directly connected with the massive events that have been unfolding.

Many of the important issues that are tied up with the banking rescue scheme and all that swills around it are not touched on, directly or indirectly. The Bill clearly not does affect the principle of the lender-of-last-resort facility, although, as the Chancellor pointed out, it extends that principle to building societies. The key provisions of the rescue in terms of inter-bank lending guarantees are enormously important, but I understand that they are not directly affected by the Bill either. It does not deal with the way in which nationalised banks will operate, with the issue of the shadow banking system—which is the source of many of our difficulties—and how it should be regulated in future, or with the issues of competition policy and the role of the clearing system, raised several years ago in the Cruickshank report.

Although I do not dispute the importance of the Bill's provisions, they deal only partially with the problems that we are experiencing. Arguably the most important, or second most important, part of the Bill relates to deposit protection, but over the last few weeks the deposit protection system has been overwhelmed and, in practice, it has become largely irrelevant to the restoring of confidence and stability.

I had intended to discuss what are tricky and important issues in a non-partisan way, but I was provoked by the hon. Member for Tatton (Mr. Osborne). I do not propose to respond to his comments on the Bank of England, although I am perfectly happy to defend my position, and will continue to do so for as long as the crisis continues. I also acknowledge that he made some sensible

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comments, with many of which I agreed, particularly his comments about Equitable Life. However, it is a bit childish for those who aspire to be Chancellor merely to rewrite history in such a blatant way.

I was especially fascinated by the hon. Gentleman's account of how the Conservatives warned the Labour Government for years about the problems of personal debt. We are living through what I suppose is the economic equivalent of the Iraq war. I am sure that dossiers will be produced recording who said what when—and Conservative warnings about the emerging household debt problem are very thin on the ground.

I remember having exchanges on the subject with the then Chancellor, now the Prime Minister, back in 2003-04. It became quite a hot issue, although I do not recall the Conservatives contributing to the debate in any way. What they did do, although the shadow Chancellor may have forgotten, was set up a commission to examine debt problems, led by someone called—I think—Lord Griffiths. Its report, which I read, made it clear that there was no such thing as a general household debt problem. There was a debt problem relating to a relatively small number of high and low-income individuals with credit cards, and its recommendations were confined to that very narrow issue. There were no policy prescriptions relating to what was an emerging problem.

At the risk of being immodest, I recall that, at the same time, my colleagues and I produced a 10-point debt plan, which dealt with the problem exhaustively and in some detail. It has clearly been raided for ideas, particularly in what the shadow Chancellor has called Conservative ideas about how to improve regulation of the banking system. He mentioned two quite distinct ideas, which merged into one somehow, that it was important for future Governments to take on board. One related to asset prices. The Chancellor may recall exchanges between Members on our Benches and his, back in 2003-04, about the genuinely tricky problems of dealing with those prices, and the possibility of incorporating house prices in the Bank of England's remit in measuring inflation. Again, I do not recall the Conservatives making any contribution whatever to the debate until today; the issue simply disappeared.

More importantly, there is the very good idea—which I am delighted the Conservatives have taken up, despite the fact that they have called it a Conservative idea—of counter-cyclical management of the capital adequacy of banks. That idea has been in circulation for some time; it has been well written up by Persaud and Charles Goodhart and others. If the hon. Member for Tatton re-reads my 2004 debt plan, he will see it all described in there, four years before it became a Conservative idea. I think we might now have had enough of putting all this on the record.

Stephen Hesford: On this plan, is there not a balance to be struck, which has not so far been explained? The hon. Gentleman can make populist points while we are in the middle of this situation, but is not this counter-cyclical idea potentially deflationary, in which case it would have the opposite effect from producing a strong and stable economy, which is what we have had over the last 10 years?

Dr. Cable: The hon. Gentleman is missing the point; the whole point is that it is designed to restrain rapid lending in a boom period and that that relaxes when the cycle turns in the opposite direction. *[Interruption.]* No, it is not. Technically, this is well understood; the Governor and people in the Financial Services Authority fully understand how it could work. It has been applied in other countries, and I think there is a fair degree of consensus about implementing it.

Let me move on to the substance of the issue and some of the ideas behind it. Before plunging into the technical arguments about banks, a useful starting point would be to acknowledge the fact that banks are inherently rather unstable, and that they always have been. This proposed legislation is the latest in 300 years of attempted legislation to tackle a big problem: how one preserves stability in a system of banking institutions where there will always be significantly less cash and liquidity than needed to meet the claims banks ultimately face. For that reason, banks have always faced runs or the danger of runs, and principles have been established over the years as to how to deal with that. Indeed, it was a British commentator, Bagehot, who came up with the idea—which I think the British authorities forgot last summer—that the first thing to do in a bank run is to pump in as much liquidity as is required at a commercial rate of interest against good collateral, in order to stop it happening.

The other subject the old-stagers always used to argue about in terms of banking was the problem to do with moral hazard. We have heard a great deal about that over the last year, and a constituent recently asked me what moral hazard was. I rooted around for a good definition, and I found what I think is a particularly good one from somebody called Herbert Spencer, who was, I think, a rather famous Darwinian. He said:

> "The ultimate result of shielding people from the effects of folly is to populate the world with fools."

In a non-technical way, that summarises what moral hazard is all about. Over the last year, the phrase has been used in a technical sense by the Governor of the Bank of England and others, but I think Spencer's comment serves to remind us that if one goes too far in the direction of protecting banks or depositors, they will inevitably invest in risky activities, knowing perfectly well that ultimately somebody else—ultimately the taxpayer—will bail them out.

Despite the problems of moral hazard, there has been an acceptance in recent decades that protection must go beyond the simple Bagehot rule of pumping liquidity into the banks, and hence we have had in the post-war period—and in the pre-war period in the United States—systems of deposit protection, which have, among other things, assisted people, particularly when small banking institutions have gone down. There is quite a long history of that. When I was looking up the history of our own scheme, I found that there have been occasions when credit unions, for example, have fallen and the deposit protection scheme has been very useful in those cases.

However, it is obvious that in our recent events that scheme simply did not work, or was not adequate and was simply overwhelmed. In the Northern Rock and Bradford & Bingley cases, for example, the upper limit had to be abandoned, and people were given indefinite

protection. It became very clear at the beginning of last week when panic was spreading throughout Europe that the one thing people understood was that their deposits were safe in British banks because, at the end of the day, if the banks collapsed, they would be nationalised and people would therefore be protected. Not many people were worried terribly much about the precise details of the deposit protection scheme.

Mr. Angus MacNeil (Na h-Eileanan an Iar) (SNP): The hon. Gentleman mentions banks going to the wall and failing, but does he recall that Nick Leeson spent some years in jail? The big question that a lot of the public are asking is whether the current crop of bankers will get off scot-free. I would like to hear the hon. Gentleman's opinion on that.

Dr. Cable: When people start picking through the entrails of this crisis, it will undoubtedly emerge that there was fraud as well as misjudgment and irresponsibility. I hope that our Serious Fraud Office was not so badly traumatised by its experience of dealing with the Saudi royals that it is not still sufficiently motivated to go after serious fraudsters.

Since we have a deposit protection scheme, it is important that it is properly constructed and credible, and various points have been made about the proposed scheme, which I hope the Chancellor will take on board. For example, there is a problem that has not been resolved to do with people who are temporarily worried about the £50,000 limit—or who were worried about the £35,000 limit—because they are buying homes. I think a Conservative Member mentioned in Prime Minister's questions last week a constituent in Devon who was concerned about that problem, and it is a legitimate issue. How, under the proposed deposit protection scheme, will people be protected who have temporarily very large balances? That is a tricky problem to manage, but it is important.

There is also the separate issue of whether people should be protected on the basis of the brands of the banks that they invest in, as opposed to the institution. I suspect that not many people are aware that Cheltenham & Gloucester is part of Lloyds. We must not just assume that, when calculating whether they should worry about deposit protection, everybody knows which subsidiary of which bank belongs to which brand.

There is another important issue that did not surface much in public debate—perhaps because people were not aware of it at the time—which is that the compensation scheme applies to net, rather than gross, exposure. People who have substantial deposits as well as substantial borrowings do not enjoy as much protection as they might assume. Therefore, there are certain aspects of deposit protection that need to be clarified if proper consumer protection is to exist.

Much of what the Conservative spokesman and the Chancellor spoke about related to the special resolution regime, and I do not have a great deal to add on that.

Mr. Osborne: Perhaps my recollection is not accurate on this, in which case I am happy to be corrected, but did the hon. Gentleman's party leader call for a general guarantee of all retail deposits a week or two ago, and is that still Liberal Democrat policy?

Dr. Cable: Our view is that the sensible way to deal with such a panic would be by a common statement from the leaders of the European countries that went rather along the lines of the Merkel statement. That may be the only way in practice to stop generalised panic. It did not happen, and it was not needed, but that would be the kind of recourse that Governments would have to undertake.

Stewart Hosie: The hon. Gentleman said the statement was not needed and there was not panic, but people were moving money all over the place. They were putting money into Irish banks after the Irish gave a whole deposit guarantee. I cannot believe he is suggesting that it was not necessary. My view is that had the Government given such a deposit guarantee earlier, there might not have been as large a devaluation of the banks as there has been over the past two weeks.

Dr. Cable: There was a great deal of anxiety, but there was not an enormous exodus by British retail depositors from the banking system. It reflects very well on the common sense of the British people that they were not tempted to move all their money out to Ireland. Not a great deal happened; there were, of course, great problems in the wholesale market as we know, but in the retail market, although some individuals may have moved their money to Ireland, not many did. The reason for that basic common sense is that people understood that they were fully protected. They were fully protected not only by the deposit protection scheme, but by the certain knowledge that if banks went down, the Government would take them over and protect their deposits. However, had the position escalated and there had been a serious run on retail deposits, the British Government would have been forced to give stronger reassurances of the kind that I have just described.

Mr. John Maples (Stratford-on-Avon) (Con): We are living in extraordinary times now, but looking forward or backwards a little, is not the problem with total protection or the 100 per cent. guarantee of deposits up to £50,000 that it draws in the depositor's mind no account of risk at all? That is why people invested in Icesave and Northern Rock. They risked their life savings for an extra 0.5 per cent. a year. To go back to the point about moral hazard, surely there must be some consequence for them if that goes wrong. It is unfair to the well run, more conservative banks that the same guarantee is afforded to people who are prepared to take a risk.

Dr. Cable: The hon. Gentleman is right. In normal times it would have been extraordinary and inexplicable to protect the Icelandic investments without limit. The only reason why the Government did that was the general worry about the banking system and the systemic risk involved. He is quite right about the basic academic principles, but these are indeed extraordinary times and the response was extraordinary.

The shadow Chancellor was right to make the point that while we are discussing special resolutions, special regimes and the like, we need to think ahead to the regulatory system for banking that will evolve in due course. At the moment, it is clear that banking cannot just return to the habits of the pre-crisis period. If somebody has had a massive heart attack and a triple bypass, they cannot just go back to their former lifestyle;

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they have to adapt. Part of the adaptation will take the form of stricter capital adequacy rules of the kind that we have discussed.

In the meantime, half of British banking is now nationalised and may well be for some years. A whole series of policy questions has been thrown up, such as how a semi-nationalised banking system should operate and how to ensure fair competition between institutions. We had that debate when discussing Northern Rock. That was a manageable situation, but now that half the banking system is nationalised, there are severe difficulties. Questions will arise such as how far nationalised banks should get involved in social policy. The issue of repossession will loom large this winter, and we will have to say that it must be dealt with on a non-discriminatory basis, through the court system, not by requiring certain banks to offer different principles simply because they happen to be publicly owned.

A big issue arising from the points that we raised with the Chancellor yesterday is the commitment to maintaining credit at 2007 levels. I got the sense that he was backing away from that slightly, but if it means anything, it might well mean the Government being directly or indirectly involved in the business of trying to manipulate house prices through mortgage lending. That would potentially be a very dangerous departure. Consequent on this debate, we must have a proper discussion about how a semi-nationalised banking system will operate before it reverts to a more commercial basis with a regulatory system operated through the FSA.

Mr. Gerald Howarth: Are not the Government coming at the dilemma from a position that they have already declared? Their policy on social exclusion led them to put pressure on the banks and building societies to lend to people across the country who were not credit-worthy, and to lend them more than they could afford. The Government have form on this issue. Does the hon. Gentleman agree that they will have to prove to us that they are not going to use their position on the boards of banks to pressurise them into pursuing the folly that has led us to the position that we are in?

Dr. Cable: The hon. Gentleman raises an important but different point about the social exclusion agenda and whether it is right to require banks to operate in that way. As I understand the policy that he describes, it applied to all banks, not to some rather than others.

Among the institutions that will be looking nervously at how the nationalised banks operate are the mutuals such as the Nationwide, which can never be accused of being greedy bankers. They do not have shareholders, they have been moderate and they have built up a market share responsibly, but they will now have to compete with state institutions. The ground rules under which the system operates will become extremely important. Like the Chancellor, I anticipate the important discussion about bank regulation that we will need to have. Rather earlier, we will probably need to return to consider how nationalised banks will function in this hybrid system.

6.15 pm

Mr. Mark Todd (South Derbyshire) (Lab): I welcome the Bill, of course, but I express the normal caution about consensual legislation. As we all appear to agree on the principles, there is a danger of inadequate debate and an inadequate focus on the alternative views about how to approach banking reform.

Unusually, I will therefore say that I have already volunteered to my Whip that I am prepared to sit on the Public Bill Committee. However, that Committee might need to be run somewhat unusually. The clause stand part process, whereby we discuss the general arguments in each clause, may have to be approached rather more permissively than usual. I also hope that we will have a full opportunity to hear from people outside the Committee and reflect carefully on what we hear. I expect that the various lobbying groups of interested parties will want to play a full part in the process leading to the production of the final Act, and I hope that we will have the opportunity of a rather more creative process than the normal, rather dumb Committee format through which I have sat with pain at various times in the past 11 years.

I wish first to focus on the stage before special resolutions in the regime that is being established in the Bill. The right hon. Member for Wokingham (Mr. Redwood) raised the important question of what we should do to prevent banks from getting to the point of facing the extreme measures in the Bill. First, we need a much clearer definition of the FSA's function in that process. There was a useful discussion in the Treasury Committee about the concept of green, amber and red lights. A red light would mean when a bank was in special resolution and an amber light would be when there was anxiety about certain aspects of ongoing business that needed to be focused on and remedied. We need a clearer understanding of how that heightened supervision process will work.

Secondly, we need a clear focus on the communication channels between the FSA and a bank. The FSA will need to highlight to the bank issues of potential instability that are found in the heightened supervision process. Thirdly, there must obviously be explicit expectations of corporate action and how a company will remedy something that the FSA has identified as inadequate.

Fourthly, there is the area of danger that detained the Select Committee. What role should there be, if any, for public communication about the process that a bank is going through? That is an extraordinarily awkward matter. There is a public duty to give investors and depositors at least some information that could be material to their decision whether to continue their association with a company, but there is also the obvious desire not to make that company's circumstances a great deal worse through the public disclosure of difficulties. It would be helpful to have a much sharper focus on the step that immediately precedes special resolutions.

We need clarity of accountability about the trigger. The Bill places the job in the hands of the FSA, but with an obligation to communicate with the other elements of the tripartite authority in that process. I agree with the view that one body must take the decision; I do not like placing accountability in the hands of committees very much. One body ought to be clearly accountable for pulling the trigger on special resolution, but in the accompanying papers that I hope will be produced to allow the Public Bill Committee to consider the Bill in depth we need to design some idea of exactly how the trigger may operate and how the communication channels will be kept open.

We must bear in mind the Bank's absolute responsibility for financial stability, which is defined in the Bill—that is welcome—and the risk of regulatory forbearance. Those of us who read the FSA's internal audit report on Northern Rock would certainly hesitate to give a full-hearted endorsement of the FSA's powers in this matter. The risk of regulatory forbearance at least means that other people should be allowed to say something. He has now left the Chamber, but my right hon. Friend the Member for West Dunbartonshire (John McFall), the Chair of the Treasury Committee, made valuable points about that.

I do not want to repeat what my right hon. Friend said about the financial stability committee's function, but I share the view that the Bill presents a confusing picture of exactly what the committee will be supposed to do. Critically, will it be an Executive body, as the Monetary Policy Committee effectively is—the MPC has the power to raise and lower interest rates in our country—or is it a non-Executive body that is in place to advise the Governor in some respect? If so, how appropriate is it that the Governor will chair it? That issue needs to be developed, so that we have a clear understanding of how decisions will be made in that body and what it is responsible for. Without wishing to complain about individuals, all on the Treasury Committee had doubts about whether the court, in its current form and with its current membership, provides the appropriate group of people to populate the financial stability committee. Therefore, welcome suggestions have been made for radical reform of the court's numbers and, implicitly, its membership.

My view is that the committee requires a membership that is external to the UK, because it would be inappropriate for key players in the UK marketplace to be members of the financial stability committee. We can usefully gain from experience elsewhere. The Bank has its own committee, one of whose members is an ex-governor of a Swedish bank, who is almost certainly providing insights into the Scandinavian banking crisis of about 20 years ago. Having an external reference point is a useful model. I find, as others do, the Chancellor's reference to the comparison with the MPC inappropriate, given that the models are obviously, as I have said, completely different.

Finally, let me turn to the role of the Financial Services Compensation Scheme. I have said in this Chamber that I share some anxiety at politicians freeloading into taxpayer guarantees of depositors. I share the concern raised in an intervention on the hon. Member for Twickenham (Dr. Cable) about the moral hazard issues involved. We need to educate our citizens about their risks and responsibilities in making deposits. One thing that came through to me loud and clear in the discussion of the Northern Rock crisis was that few people had the faintest idea what level of guarantee the FSCS applied to deposits anyway. There should be a clear obligation that when one makes a deposit in a financial institution, one is crystal clear about both the level of guarantee provided by the FSCS and the terms under which it may operate. Thus, any discussion about late payments and how quickly one would get one's money back should a circumstances arise should also be explicit.

Secondly, if the coverage falls outside the FSCS in some way—for example, if one chooses to invest in an Icelandic bank through a British outlet—it should be crystal clear to the depositor what risk they are undertaking, so that they are well informed. I found shameful the absence of any proper information that banks were obliged to give to depositors as to the remaining risk, which we hope is very low, that lies with them when they agree to make a deposit. There should also be clear guidelines on the speed at which a deposit is paid back to the depositor. All of us on the Treasury Committee found unpersuasive the banking industry's arguments as to the difficulties that it would have in resolving some of the issues associated with data—for example, the number of accounts that people might hold and the conflicts between them. A clear target should be set.

I shall conclude by making three brief remarks. First, unlike in the case of the urgent actions that we have taken recently, we must ensure that the actions that we take in our legislation and regulation give the correct motivations for beneficial actions; that is the moral hazard argument. I remain a firm adherent to that, convenient though it may be for politicians to resile from it. We cannot seek to protect our citizens utterly from every aspect of their decision making—we sometimes give the impression that we can do so, and that is an extraordinarily dangerous impression to give. The design of the supervision before a special resolution regime must be focused on that goal, but so must the reform of the regulatory framework that we shall discuss in due course.

Secondly, we must prepare ourselves for a new world of much greater caution, less innovation, lower lending and lower levels of growth. Sometimes those who have heralded their prescience about the problems we face have perhaps not grasped the purchase that we had from the risks that we had taken; there was a period of extraordinary above-average growth across virtually the whole world. In these new circumstances, we must prepare ourselves for much sterner times. Innovations will be tested much more robustly before being accepted and we may well find it harder to employ all our citizens. I am delighted with the actions that the Government have taken, but I am certainly not of the view that with one leap we are free from the difficulties we face—much lies ahead of us.

Thirdly, we must carefully consider the design of the boundaries between the state and the financial sector, given this new role of active ownership to which we have committed ourselves. Obvious issues of competition must be addressed, and there are difficulties in defining what the state, which has unusual advantages in the marketplace, should be permitted to do. We are working those out by the seat of our pants. We have to work harder on the definitions, because we will have this role for some years to come. We need robust ideas, in principle, of how those definitions should work, and they should then be designed, in practice, with the sector. I share the view that the industry is crucial to the future of our country. We risk designing away one of the critical lifebloods of the UK economy—that would be an easy reaction. The Bill does not do that, but I have heard siren voices from elsewhere that would certainly achieve it. We should seek to avoid that risk.

6.29 pm

Mr. Kenneth Clarke (Rushcliffe) (Con): I refer the House to my entry in the Register of Members' Interests. As people are inclined to make mischief in that area, I should probably also mention that I am a shareholder

[Mr. Kenneth Clarke]

in most of the banks that have been mentioned in the course of the debate, although I am happy to say that the modesty of my shareholdings is such that they threaten neither my financial stability nor that of the banking system. It does mean that my interests are aligned with those of the taxpayer who has made a deal to take a substantial stake in various banks.

En passant, I notice that on the first day's trading the taxpayer lost £2 billion on the value of that investment. Given that I have heard, in various speeches in the past day or two, the cheery assumption that the taxpayer is bound to make a profit when withdrawing from the deal—so we should not be concerned by the staggering impact that the borrowing will have on the public finances—we should all note that shareholdings are capable of going down as well as up. It is completely uncertain as to whether we will eventually take any profit.

The Bill is obviously necessary in the current circumstances, and I shall support it in the unlikely event that anyone chooses to vote against it. The current powers that the Government have will lapse in February if we do not make progress from the Banking (Special Provisions) Act 2008, and those powers are needed to enable the Government to intervene in the manner in which they have. It is not a perfect Bill, as it does not address some of the problems with the regulatory system in this country. Once we get past the worst of the present crisis, the most important need will be to contemplate how we avoid getting into a similar crisis for many years ahead. I anticipate that a new Government will have to return to the subject and readdress, in particular, the position of the so-called tripartite regulatory arrangement and the relationship between the Treasury, the Bank and the FSA.

The Bill has been a long time coming. Like most of the Government's actions in the present financial crisis, it should have come sooner. The Government started consulting on this a long time ago. Such a Bill was obviously necessary at the time of Northern Rock, but only now—when the crisis is enormously worse than it was then—do the Government come forward with it, and most of the provisions still have to be left to a code of practice. I intend to ask questions about how the Bill is supposed to operate, and the Government should be in a position to answer them—although they do not seem able to do so. That is, of course, of a piece with their whole approach to the financial crisis and the background to it. The Government have been astonishingly complacent and negligent in taking no action whatever until the crisis began to hit us. Ministers, especially the Prime Minister and—as far as one can see—the Chancellor when he first took office, were more oblivious than most other people to the likely threats to the financial system, and hence the economy.

We are committed to a bipartisan approach to the Bill, but I shall be very irritated if Ministers criticise us every time that we are critical of anything that they say. I agree with my hon. Friend the Member for Tatton (Mr. Osborne) that we must return in time to the extraordinary negligence that led to Britain being one of the worst placed countries in the developed world when the tsunami—as the hon. Member for Twickenham (Dr. Cable) described it—actually hit us.

Mark Lazarowicz: Does the right hon. and learned Gentleman seriously expect the House to believe that if the Government had made proposals two or three years ago to put £50 billion into buying shares in banks and to provide £400 billion of support for the banking sector, the Conservatives would have happily supported the proposal?

Mr. Clarke: Two or three years ago, the Government declined all invitations to deal with the out-of-control credit bubble that was obviously affecting the country, not to mention the out-of-control housing bubble that was inevitably going to end in grief. The hon. Member for Twickenham talked of us rewriting history, and I do not want to dwell on that for too long, but we all need to establish our credit in this area. I have dug out one of my several references to the problem. In the debate on the 2006 Budget, I said that GDP growth was sustained

"on a sea of household debt, and public debt and borrowing".

I pointed out that that

"was not sustainable, and what is not sustainable always stops".—[*Official Report*, 28 March 2006; Vol. 444, c. 722.]

I said that on many occasions, and more distinguished people than me said it in the House and outside, but the Government treated those predictions with disdain.

On other occasions, we will tackle the Government and especially the then Chancellor on their total negligence on dismissing the alarm calls about the mounting level of debt and the unsustainability of the growth—what was left of it—of our economy two or three years ago, and about the threats to the banking system. As we all recall, he actually took credit for it. Far from trying to restrain boom and bust—a phrase that he took from me in the first place—he led the public to believe that the top of an uncontrollable boom was the result of the remarkable economic policy over which he was presiding, and that it was spreading wealth as never before through a country that somehow had become free of the economic cycle.

Not only were the Government complacent, but the regulatory system completely failed. Some of the more excitable left-wing members of the Labour party now like to say that this issue reignites the old argument between laissez-faire capitalism and the role of the state and Government intervention. That argument has been dead not only since the birth of new Labour, but ever since the second world war. There are very few advocates of laissez-faire capitalism in this country and very few advocates of a command economy. Everybody has always accepted that the free market requires a proper system of regulation to protect stakeholders and to avoid the obvious dangers of potential financial crises of the kind that we have had on occasion ever since the Dutch tulip bubble and, more recently, after the 1929 crash.

Not only were the Government inactive during the credit bubble of recent years, the regulatory system was ineffective. The then Chancellor made a fatal error in 1997 when changing the regulatory system and moving to the tripartite arrangement that has plainly failed. The Bill acknowledges that in a way, because it proposes strengthening the powers of the Bank, and shuffling the arrangement of responsibilities between the partners. However, the Bill does not convince me.

The most obvious problem is that tripartite arrangements give rise to confusion and differences in information between the parties, and there is always the possibility

of dissension—always denied thereafter—between the three institutions. The failure of the tripartite structure became clearest at the time of the Northern Rock debacle. A very good report by the Treasury Committee showed how useless the FSA had been as the lead regulator. It did nothing. There was no mystery about Northern Rock: it had a strange business model in which it relied on the money markets to give extremely generous loans. It is fashionable for Ministers to claim that the problem stemmed from the US, with the so-called sub-prime crisis causing a tsunami to fall on these fair shores where nothing of the kind was happening. We may not have called them sub-prime mortgages, but they were being granted here. There were mortgages for more than 100 per cent., lent on self-certified income at rates of six times income. Reckless banking practices included the abuse of the securitisation of such debts, by bundling them into instruments to be sold on to others so that they were taken off the balance sheet to avoid the regulatory arrangements. Such practices were all raging in this country and it was first the duty of the Government to prompt its chosen regulator, the FSA, to look into that and to consider the sustainability of the model and the likely effects if it continued.

Not only was the then Chancellor, the present Prime Minister, totally dismissive of such fears—he constantly made speeches about the lighter regulatory touch that was helping to make the City of London a financial centre in the world—but so was the FSA. As far as I can see, the FSA never even raised the telephone to Northern Rock when the first hints of the credit crunch began to enter the money markets as they started to get sticky in the beginning of 2007.

Frank Dobson: The right hon. and learned Gentleman has just said that it was first the duty of the Government to do something about the situation, but surely it was first the duty of the management of the banks to do something about it.

Mr. Clarke: Of course. The primary responsibility lies with the banks—I agree with that—but we do not leave the fate of the nation entirely in the hands of the banks, for good and obvious reasons. We therefore have a regulator and regulations with which the banks are meant to conform. They had a silent regulator who saw nothing wrong with what was happening and the Government presided above them, taking credit for the boom conditions that were breaking out.

In my day, regulation was carried out wholly by the Bank of England. I do not think that we will ever go back to that, but it worked rather well. We had one bank that went bust—Barings—and I think that might have been why the present Prime Minister decided to change the regulatory arrangements. I have never quite worked out why he wanted to change them, but there is no protection against a deliberate fraud when the management of the bank are ignorant of what is being done in Singapore by a fraudulent employee.

The Bank intimately knew the banking system and took its regulatory processes extremely seriously. The only explanation that I have heard from the then Chancellor's friends is that he thought that he would make the Bank too powerful if he made it independent on monetary policy while allowing it to keep its regulatory duties. I do not understand that, but he set up the new arrangement and so far, plainly, it has not worked.

The Bill tries to address that problem and that is welcome, so far as it goes. At last, a statutory footing is at least given to the Bank of England's responsibility for financial stability. That is a very vague phrase and giving the role a statutory form does not alter present practice, although it gives a vague overall responsibility to the Bank, which is also given statutory immunity when it exercises that responsibility. That is all well and good, but the Bill also gives the Bank a responsibility to execute the new regime—the special resolution regime—in which alternative paths can be followed to step in when a bank fails to ensure that it does not threaten the system and is kept trading. That is going on now.

Although the Bank is given a role in the regime, whether the regime is triggered is dependent on the opinion of the FSA. The Chancellor has said that the system works quite well and that the system set up in the 1998 legislation has led to a clear division of responsibilities between the various players. I do not believe that it has. I have not been intimate to the discussions but along with 60 million others I can see with the evidence of my eyes that the system has not worked at all. I can see that when I read the newspapers and could have seen it in my bank balance had I happened to have had an at-risk deposit with an Icelandic bank—I have not been so unfortunate.

To go back to the example of Northern Rock, it was quite obvious at the time that the three parties to the tripartite arrangement did not agree. They were shovelling blame on to each other at various times and had totally different approaches to what exactly to do in the short term. I said this at the time, so I shall not repeat it too much, but in the middle of it all the Government did not have the first idea of what to do. Now, they are taking the credit for taking the lead in solving the global crisis—that is, in how to deal with the insolvent banks.

Mr. Todd: Will the right hon. and learned Gentleman give way?

Mr. Clarke: I am sorry, but I do not have the time.

Other features of the Bill prompt the question of whether things are really moving. The Bank can now access the information that it needs for its role from the banking system, but it has to get all that information from the FSA—the FSA is given the power to share information with the Bank, and it is astonishing that it has not had that power for the past 10 years. We are putting in place a potential shambles, with which a new Government will have to deal.

I have no time to cover any other major points, but I want to conclude with one of them. We are dealing with the part-nationalisation of banks and we are in the extraordinary situation where we are about to take into public ownership a substantial part of the banking system. Ministers should therefore explain on what basis the Government will conduct their relationship with part-nationalised banks. My hon. Friend the Member for Chichester (Mr. Tyrie) raised that point earlier.

Yesterday, we heard vague remarks about an arm's length arrangement for managing the shareholding and appointing the directors. There are serious worries about how we will work with nationalised banks, and that is why the taxpayer lost £2 billion in the markets yesterday. The only banks that went down on the markets were

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those that had been given the privilege of a Government investment. Why? The Government have not really explained why they have made such a move.

The Government will appoint directors, which they did not seem to be thinking of doing last week when they first outlined their proposals. They will take ordinary shares, not just non-voting preference shares, as we were first told. There are also astonishing apparent targets for levels of mortgage lending and small business borrowing, which are quite inappropriate and will distort the markets if they are imposed. There is the whole question of why Lloyds TSB is still taking over HBOS, which would never have been permitted under the previous competition rules. Apparently, now that the bank is publicly owned it does not matter that it will have a dominant market share that two private banks would not have been allowed to amalgamate to obtain.

Will the Government have a view on jobs in Scotland when the banks are rationalising their arrangements? Will the Government have a view on a bit of pork-barrel lending in the run-up to the election? They have to satisfy us that that is not true, but they cannot tell us what the mechanisms will be to prevent such activity.

There are serious problems with the Bill. We are supporting it on an all-party basis because there is a pistol pointed at the nation's head and these powers are required. The Government will need to answer more questions, including questions about their record, before we are happy.

6.47 pm

Frank Dobson (Holborn and St. Pancras) (Lab): I had better declare two interests. First, my wife and I have deposits with the Royal Bank of Scotland. Secondly, I am a supporter of West Ham United, which is currently in Icelandic ownership.

To listen to the distinguished former Chancellor, the right hon. and learned Member for Rushcliffe (Mr. Clarke), one would never realise that the debate springs from the failures of market forces and uninhibited competition in this sphere worldwide. The results of the failure are that fanatical advocates of free markets and people who usually denounce public spending and Government intervention have come cap in hand to the Government to ask to be bailed out by the British taxpayer. In other words, some bankers have become the new scroungers and we should recognise them for what they are.

I welcome the Bill, which is a second instalment in the attempts to deal with the crisis. The first was the Banking (Special Provisions) Bill, which I remind the House that the Tories opposed. The hon. Member for Tatton (Mr. Osborne), urging us to oppose that Bill, commended the views of the British Bankers Association, which wanted the powers to exist not for a year but simply for a month. Had we taken that short-sighted advice, the Government would have been unable to take the measures to sustain the banking industry and consequently the British economy that they have taken—in taking such measures, the Government have set an example to other countries round the world.

We need further instalments beyond the Banking Bill, because it deals with a limited sphere. The people of this country always seek security: in their homes, for their jobs and for their pensions. In recent times, they have seen all of those imperilled by grasping, greedy, arrogant and stupid bankers.

Mr. Redwood: Will the right hon. Gentleman give way?

Frank Dobson: No, as I need to get on. The actions of banks, finance houses and the related organisations that prop them up were made possible by the Tory deregulation initiated by Reagan and Thatcher. A lack of transparency that is a probable product of that deregulation has compounded the difficulties by in effect promoting the obscurity of dealings in the financial sphere. Above all, deregulation has promoted a system based on debt.

Mr. Redwood: Will the right hon. Gentleman give way?

Frank Dobson: Yes, I will.

Mr. Redwood: I am grateful to the right hon. Gentleman. The directors of Northern Rock said in the company's 2007 report and accounts that they needed to reduce capital and increase lending to get in line with regulatory requirements. How does he account for that? What does it tell us about the regulations?

Frank Dobson: It says that the directors were as daft as brushes, but we knew that already, before the right hon. Gentleman asked his question.

We have also seen, as a result of deregulation, the development of hedge funds, the increased involvement of private equity and the further promotion of tax havens so that rich people can get out of paying tax. If there is to be a new Bretton Woods agreement, I hope that it will clamp down on the minor tax havens around the world that have allowed rich people to rob everyone else.

The banks have carried out what they portrayed as sophisticated financial transactions. Time and again, their representatives went on television and radio and gave the impression that what they were doing was too complex for the average viewer or listener to comprehend its wonders. They were constantly announcing new products—ever more obscure and nearly always involving debt piled on debt. Those products were all dependent on inter-bank transactions so complex that several members of the boards of directors of the companies involved now say that they did not understand what was going on. Apparently the only thing that they understood was the whacking great cheque that came in at the end of each year to thank them for not understanding what their banks were doing. They apparently could not distinguish between assets and liabilities, and a banker who cannot do that has not got to first base in banking.

We have also had things like off-balance sheet transactions, and so on. There has been a feeling recently that the problem really had to do with mortgages extended to a few badly off individuals, but in fact most of it springs from what might be described as the wholesale, rather than the retail, end of the business, and from transactions between one bank and another.

I had better move on from talking just about the banks, because then we have the auditors. There are supposed to be auditors, but what were they doing? What were the auditors of Northern Rock, Bradford & Bingley and the Royal Bank of Scotland doing? They were clearly not doing their job, but they were paid a

fortune for not spotting that there was anything wrong. We need a regulatory system that will do something about that. Anyone who has been damaged by the auditors' failure should get ready to mount a class action and sue them. The auditors ought not to be allowed to fail, to let people down and cause them to lose money.

Then there are the rating agencies. Until about six months ago, a chap from Standard & Poor would come on television and radio and lay down the law to the rest of us about the wonders and risks of this, that and the other. Now we discover that the rating agencies were giving AAA ratings to pieces of paper that were not worthless—they were worse than worthless. That is what the rating agencies were doing, so we need new and tough regulation. I believe that the regulations need to be laid down by law that is passed by this House. I do not think we can leave the determination of the regulations to the regulators. Their job should be to enforce rules, not make them up.

As we all know, the major problem at the moment is that the banks do not trust one another. The deliberate obscurity of their accounts means that some cannot fathom even the extent of their own exposure, let alone that of other banks. If the banks cannot trust one another, there is no reason why the British people should trust them.

Some of us have talked in the past about tougher regulation of the City of London, but we have been told, "Oh, you mustn't over-regulate, it would inhibit innovation." Well, we can see where innovation has got us, but the Spanish banking industry, which is not immune to the world's problems and which has what might be described as a little local difficulty over its own housing situation, did not get involved in US sub-prime mortgages. That is because the Spanish banking laws—what might be described as the new Spanish customs—prevented them from doing so. In fact, Spanish banks were subject to the sort of counter-cyclical regime described by the hon. Member for Twickenham (Dr. Cable), and that was because there were regulations in place. No one can say that those regulations stifled initiative: if they had, the useless people running British banks and building societies would not have seen them taken over by Banco Santander. That bank was not restricted by any of the regulations, even though the Tories normally used to call them "stifling" when some of us advocated them.

If regulations had stifled some of the enterprise that we have seen, I frankly believe that that would have been all to the good. Some of that enterprise—and its "new products"—has been the cause of all the problems that we now face, and is the sort of enterprise that we ought to stifle.

I come now to pay and bonuses. Even without the bonuses, the pay of some fat cats in the banking industry is at ludicrous levels. Barts hospital is in the City of London. If we asked people in this country in an opinion poll who should be paid more, a cardiac or cancer surgeon at Barts hospital or someone running a bank, I think that the ones doing the operations would probably get the nod.

As for bonuses, why did those overpaid people need them? Most people do their jobs to the best of their ability for a rate of pay. Why do bankers need bonuses in order to put their backs into their work? Surgeons and teachers do not get bonuses. Firefighters, police and research scientists work properly without bonuses, so what is wrong with the bankers? They are obviously so ethically degenerate that they cannot work without getting a bonus. Most of them are a deplorable lot of people, so why should they get a bonus at all?

They certainly should not get bonuses that are based on short-term targets and handed over long before the real consequences of their decisions become known. I want to put a suggestion to my hon. Friend the Economic Secretary, who is on the Front Bench at the moment, and to the Chancellor. It is that any bank receiving public money should be treated as part of the public sector, with public sector pay and conditions applying. On a bad day, I think that bankers' pay should be determined by the Low Pay Commission.

We all know now the long-term consequences of the scandalous and ridiculous activity in the banking industry. The failures of the banking industry start off by causing a run on share prices. Then the hysterics in stock exchanges around the world drag prices down even further for fear of a recession which everyone agrees has been caused by the banking failures in the first place.

Of course, the share price falls—I take the *Financial Times* as evidence for this—have been worst among those firms and industries most popular with hedge funds and least where there has been no hedge fund involvement. As various parts of the finance industry try to sort out their debts and assets, the private equity buy-outs based on heavy borrowing are becoming yet more heavily affected. That is what happens when deregulated, free-market, profiteering people get us into a mess.

It seems to me that there is every possibility that we will go into a recession, so I ask everyone to look forward to how we should deal with it. We can do no better than look at the works of that great economist John Maynard Keynes, who started getting things right in 1920. It took the politicians about 15 years before they got a grip of what he was saying and started doing something about it. He advocated investment, which increased employment by means which at the same time increased our stock of useful wealth. He pointed out that, if a recession is coming, that is the last time in a cycle one should try to reduce spending because if we all stopped spending, we would all be out of work. If we want to keep people in work, we should encourage people to spend.

In his great general theory, Keynes pointed out that the Egyptians built pyramids, and that created work, and medieval Europe built cathedrals, and that created work. As he said, we appear to

> "have schooled ourselves to so close a semblance of prudent financiers, taking careful thought before we add to the 'financial' burdens of posterity by building them houses to live in."

The Government need to bear it in mind that, whatever people from the City crawling back out of their holes say once they have got the money, we need to keep money going into the system. If we have to borrow to do it, we should borrow, to make sure that we do not go into recession and that people stay in work. It is no good messing around and taking four or five years to realise that we have to keep the economy up. The way to keep the economy up is by spending money; it is the only way to do it.

7.3 pm

Mr. Michael Fallon (Sevenoaks) (Con): I remind the House of my interests stipulated in the register.

It is rather exhilarating to hear the authentic voice of old Labour ringing out once again from the right hon. Member for Holborn and St. Pancras (Frank Dobson). In welcoming the Bill, which strengthens banking, I want to pick up one point that the right hon. Gentleman made. As my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) said, there has never been a free market in banking. None of the deregulatory measures taken in the past 10 or 20 years has given us an unregulated banking system. To suggest, as not only the right hon. Member for Holborn and St. Pancras but others have done, that somehow Ronald Reagan or Margaret Thatcher so deregulated the banking system that they brought us to this crisis is nonsense. On the contrary, banking is the essential prerequisite of all our markets. It is the clean water in the financial system. Of course, we have an interest in ensuring that it continues to be something on which we can rely. We have to have banks that we can trust; we have to have banks that can trust each other. Over the past year we have clearly had neither.

One does not have to be Michael Heseltine to understand that if banks are not working, the authorities have to intervene. I support the intervention that there has been. Indeed, if banks have been significantly illiquid over the past year, if they have been seriously under-capitalised, the regulator—the Financial Services Authority—ought to have intervened much earlier. That of course is the fault of the supervisory system set up by the Government of the right hon. Member for Holborn and St. Pancras back in 1997. It separated the responsibilities disastrously, and fatally left no one in overall charge.

I fear that some of the measures taken by the Government last Wednesday and yesterday may not go far enough. The package is necessary, but it may not yet be sufficient. It does not, for example, deal with some of the toxicity that remains in the system. We may yet have to deal with it. I want to focus in the context of the Bill on the measures taken to recapitalise the system.

The decision taken to inject taxpayer equity has some real dangers. When government plays God with the markets, there is a serious risk, as my hon. Friend the Member for Stratford-on-Avon (Mr. Maples) said, of creating inequity. It is extremely important not to repeat the mistakes of the United States authorities in deciding to rescue Bear Stearns and not to rescue Lehman's. If we are going to rescue banks with public money, we need to do so on the basis of some clearly established principles.

At the moment, we have reached the position in which, of our 10 UK banks with significant numbers of retail customers, we have rescued five, with four different solutions. That is regrettable. It leaves the market completely uncertain as to what will happen when the next bank needs to be rescued; it may be rescued on different terms yet again. It makes it more difficult, I suspect, to raise capital and equity for other businesses. It leaves us with a very real prospect that those banks that are fully public now will be pressed into the service of extending borrowing on a non-commercial basis to other industries that are in difficulty and, crucially, it reduces competition and choice.

I was struck by the impact assessment published with the Bill. The only section that does not contain the required commentary on competition is the one on page 26 that deals with temporary public ownership. As others have said before me tonight, there is simply no competition policy. Yet competition is important. It has given us a huge range of savings products, borrowing products and mortgages over the past few years. It is easy with hindsight to scoff at the innovation of the City, but that innovation helped to bring asset ownership and wealth accumulation to a much wider section of the population than ever enjoyed them before.

The right hon. Member for Holborn and St. Pancras has to be careful about his partisan remarks about Reagan and Thatcher. It was Democrat congressmen in the United States who berated Fannie Mae and Freddie Mac for not doing enough to lend in the sub-prime market, and who encouraged more such lending through the Community Reinvestment Act. Here, too, we heard a chorus from the Labour Benches that we ought to be doing more for social inclusion, and that the banks should be lending more and more, irrespective of credit history and family background to encourage more people into home ownership. They did so—probably the right hon. Gentleman would welcome that—but, fatally, without satisfactory supervision and a sufficient regulatory structure and without providing the commensurate financial education to enable people to distinguish between products that were high, medium and low-risk.

I want to mention briefly three aspects of the Bill. The special resolution procedure is important. Clearly, it is a nuclear power. We hope that it will never have to be used again. The problem with what the Government have proposed in several different drafts and finally in the Bill, as the Select Committee has pointed out, is the peripheral role that is still given to the Governor of the Bank of England. That is wrong. I understand why my hon. Friends on the Front Bench have suspended hostilities on that point in the national interest, but I do not see how we can ever again mount an effective rescue operation unless we restore the Governor of the Bank of England's authority and right to give advice, and ensure that the Bank has the working knowledge of the money markets that it used to have. That is absolutely essential, and I hope that we will be able to return to such a situation.

The measure on depositor protection is long overdue. I do not see why measures to improve depositor protection could not have been introduced immediately after we returned from the summer recess last year, after the crisis in Northern Rock. I am suspicious of the argument that it would take 14 or seven days to return people's deposits, that some vast new computer machinery would be needed, and that such measures would all be too difficult for the banks. When the Treasury Committee was in Tokyo last week, we were told by a representative from the deposit guarantee fund there that if a bank closes on a Friday, all individual accounts are frozen, and people can go in on Monday morning and recover their deposits, up to the prescribed limit. I urge the Government to look again at the banks' rather feeble argument that that would take weeks or months to sort out. On the contrary, we need a much faster and much more transparent scheme. I would like to see notices placed in all bank branches reassuring people of the amount of protection to which they are entitled, and how they can claim it, as happens in the United States.

Finally, there is the issue of pre and post-funding. I have to say that I disagree somewhat with my right hon. and hon. Friends on the Front Bench on this subject. It is important to bind all the banks into the compensation scheme. Of course it is wholly the wrong time to approach banks and ask them to cough up, although it will never be exactly the right time to do so. However, the principle is important. There is no harm at all in putting the relevant provisions in the legislation, and getting banks used to the idea. The British Bankers Association has produced a particularly feeble submission on the subject. It is four pages long, and I cannot find the word "sorry" in it anywhere. The BBA says, "Well, the strong banks shouldn't have to bail out the weak." Strong banks should have to bail out the weak; that is what happens in other sectors. It is important that all banks make their contribution, but I fully understand why they cannot do so at the moment.

The Bill should be supported tonight, and I think that it will help. However, it will not repair the damage that has been done to our economy, our constituents and the City of London by irresponsible lending, imprudent borrowing and wholly incompetent regulation. The Government are right to legislate, but they cannot wholly escape their responsibility.

7.12 pm

Mark Lazarowicz (Edinburgh, North and Leith) (Lab/Co-op): When the Chancellor took an intervention from me at the start of this debate, he was kind enough to remind the House that I am an Edinburgh MP, as he is. I make no apologies for the fact that my starting point in this speech, as in the speech that I made during the discussions held last week, is the interests of the many thousands of my constituents who are directly employed by some of the banks affected, and the many thousands more in Edinburgh and the surrounding areas who are indirectly affected because of the nature of their employment. The other Edinburgh MPs and I probably represent a greater concentration of people affected by the situation than MPs representing any other area in the country. Obviously, we are all extremely concerned about future employment in our city, as well as in the country as a whole.

It is worth emphasising that the picture is not all bad by any means, even in the financial services sector, whether in Edinburgh or elsewhere. In Edinburgh, there are many thousands working in insurance, or working for banks other than those concerned and for other businesses in the financial sector. The strengths that led companies to establish headquarters in Edinburgh and elsewhere in Scotland are still there, and can be built on in future strategies to retain existing jobs and attract new employment.

Nevertheless, there are undoubtedly a lot of worried people in Edinburgh and elsewhere, including my constituents, and it is important that we do what we can to provide them with reassurance based on an understanding and belief that we are going in the right direction. Clearly, I support the Bill and the measures that were taken last week, and one of the advantages of both is that they provide an opportunity to address problems on a longer-term basis. They remove the risk of a sudden fire sale of one of the major banks based in Edinburgh; obviously, that could quickly have a serious effect on jobs in that city. Of course, people still have understandable concerns about where they will be financially in a few months' or years' time—about what their job prospects will be, and about what that will mean for their standard of living. That is clearly an issue of concern to me, and to all Members across the country who are in a similar situation.

I want to highlight an issue that I mentioned in debate last week. Unfortunately, my right hon. Friend the Financial Secretary to the Treasury was unable to respond to my question on the subject when he replied to that debate. When conditions are set, and when negotiations take place between the Government, the regulators and the banks that will receive assistance, what kind of consideration will be given to those who work in the industry, whether in Edinburgh, Halifax or the City of London? Not everyone employed in the City of London is a fat cat, and those people need to be remembered, too.

I want to reassure hon. Members on either side of the Chamber who might think that I am suggesting detailed regulation of the employment practices of the banks in which the Government have taken a major share. I am not suggesting that; it would clearly be ridiculous and have a number of damaging consequences, not least for the banks. If, however, we are to take account of the need to provide continuing finance for the mortgage market and for small businesses—I support that—it is fair to take account, too, of the interests of those who work in the industry. The Government should recognise that, and try to raise the issue in discussions in the coming days, weeks and months.

I accept that that raises the wider issue of how the Government will respond to pressure to intervene in more and more ways in how the banks in which they have a major stake operate. I do not, at this stage, want to suggest the kind of relationship that should exist, but the question highlights the fact that it is important to address the issue—not now, but sooner rather than later—of exactly what this period of partial nationalisation means for the way in which the banking sector will operate. I am thinking particularly of the banks in which the Government will have a major stake. The Government will come under all kinds of pressure to respond to particular actions taken by those banks.

The Government would do themselves a lot of good if they set the ground rules fairly early on. We would then know what might happen during the period—a lengthy period, I suspect—in which the Government have a substantial stake in the banking industry. Like my right hon. Friend the Chancellor, I certainly hope that there will not be a high level of involvement for as long a time as some people might suggest, but it will certainly be a substantial involvement for some time to come.

That highlights the need to address, not now but fairly soon, the more general question of the strategy for the UK's entire banking sector. What are we going to do under the new state of affairs? Where do we see things going in the years ahead? A number of hon. Members have already highlighted the questions that are raised by the prospect of banking activity being concentrated in ever fewer banks. The issue of consumer interest has been raised, and the reduction in competition. Again, in Scotland, at least in the short to medium term, the vast majority of banking provision is likely to

[Mark Lazarowicz]

be in the hands of banks on which the state has a major impact. That will apply in other parts of the country, too.

What about the issue of stability in future? What happens if, some years hence, there are fewer but larger banks, and there is a threat to one of them? How do we react to that situation? These are real issues that need to be addressed and thought about so that a strategy can be worked through.

What is the role of the mutual sector? There is concern that what is happening now may lead to pressures and further diminution of the mutual sector. This is the time to promote the sector and encourage it to grow and expand. Why, for example, does it seem to be assumed that Northern Rock will gradually be run down and sold off in its entirety? Why not use that as a basis for re-establishing Northern Rock as a mutual—a building society—solidly based in north-east England, with the remit to provide an opportunity for people to save and buy houses on a sensible basis?

The same could be said of Scotland. I do not believe that those who suggest that the HBOS-Lloyds TSB merger should not go ahead are doing the interests of Scotland any good at all. Even the speculation over the past day or so about that arrangement highlights what would probably happen if that deal were to fall by the wayside. There would be severe consequences for HBOS if the deal were to collapse, so it is important that it should go ahead.

In the long term, what are the possibilities of creating some separate Scottish institution to deal with the building society end of business, so to speak? Perhaps TSB could be resurrected as a separate mutual from parts of businesses that were brought together under HBOS-Lloyds TSB, with similar arrangements for other parts of the country. Such thinking may seem radical, but after the past few days all options, solutions and new directions should be on the agenda. Challenges can also be opportunities, and there are certainly plenty of opportunities, and plenty of challenges, to do some new thinking and to come up with solutions that may not have been conceivable a few weeks ago but which we can now discuss as a means of addressing some of the wider economic needs of the country, as well as the short-term emergency situation in which the Government have rightly intervened.

Finally, I shall say a few words about international agreements, the talk about a new Bretton Woods, and new international arrangements to stabilise financial markets across the world. That is essential. I recognise and welcome the steps taken by the Prime Minister and the Chancellor. It is sad that we have not had even grudging acknowledgement of that from those on the Opposition Front Benches. Instead, we have heard attempts to do down what has been achieved. The fact that at last over the past few days the world has moved to stabilise the situation, we hope, is in no small part due to the leadership shown by the UK Government and by the Prime Minister and the Chancellor in particular.

Let us not forget other international agreements, discussions and arrangements that are not going forward so quickly or so apparently successfully—the agreements on international debt relief and on international aid, on which the United Kingdom has taken the lead and has been complying with its commitments, whereas other countries have been falling behind in carrying out what they said they would do in agreements made over the past few years.

Let us not allow the interests and concerns of some of the poorest in the world to be forgotten in the discussions and debates about the international financial system. Those are the people who would lose more than any of us from the type of collapse that we hope has been prevented. They are the people who could lose out because of a failure to meet the commitments entered into a few years ago. Let us make sure that those international agreements are also kept on the agenda, as well as the arrangements and agreements needed to stabilise the financial sector.

7.24 pm

Mr. John Maples (Stratford-on-Avon) (Con): The hon. Member for Edinburgh, North and Leith (Mark Lazarowicz) makes some interesting points about international institutions. We have the Bank for International Settlements and the IMF. I hope that whatever additional role is needed can be found through them, rather than by inventing new institutions. It is a matter not of institutions but of political will to solve these problems. That is what we have seen in Europe. The political will was not there two weeks ago, but it has been there this week and people have done things. It was not the lack of another ECOFIN or European Central Bank that led to the delay. It is a matter of political will and those institutions should be built on.

I have supported the package of recapitalisation and liquidity measures that the Government have taken. Perhaps they could have got away with doing a little less if they had done it a little sooner, but that is easy to say now. They have done the right thing, but I would be grateful if the Minister would comment on one aspect.

I raised with the Chancellor yesterday the fact that the Government are saying, on the one hand that, despite their shareholding, they will let the banks be run on an arm's length commercial basis and, on the other, that the banks must immediately restore mortgage and small business lending to 2007 levels. That is contradictory and potentially dangerous. It was the 2007 levels of mortgage and small business lending that got us into this trouble in the first place. That was the peak in broad money supply growth. It was growing at 13 per cent. a year in 2007. Perhaps I am the only monetarist left in this place, although I expect my right hon. Friend the Member for Wokingham (Mr. Redwood) is one, too. There may still be a few of us who think that there is some connection between money supply and inflation, as was shown by the figures in 2007. To go back to that seems dangerous.

The housing market will have to adjust to the problem. That may be painful for some people, though it will be a wonderful opportunity for first-time buyers. For every winner, there is a loser, but the idea that, by taking the steps proposed, we can prop up the housing market at no cost in terms of inflation or future problems is a mistake.

Between 1997 and 2008 total personal borrowing trebled. It grew at 10 per cent. compound, about the same rate at which the money supply grew—those are very similar measures—and it all wound up in housing

values. Housing prices tripled in that period as well. That released money for people to spend improving their standard of living and their consumption, but the Bank of England failed to control that. I shall return to the point, because one of the failures was in the Bank of England during that period. I urge the Government not to insist on returning to 2007 levels of lending in those areas. There may not even be enough borrowers to take up that lending.

In an intervention on the hon. Member for Twickenham (Dr. Cable), I made a point about deposit protection. We are in an extraordinary situation in which there is a series of banks—six or seven of them, three of which have big Government shareholdings and the rest of which are too big to fail—in which the Government would have guaranteed the depositors in any circumstances, and another group in which the same level of protection is now afforded, at least up to £50,000. At one level, one could say that there is unfair competition because the group of big banks have a Government guarantee behind them, but I am worried about the moral hazard point.

I have been staggered by the number of constituents and friends who had money in Northern Rock or Icesave—banks which I am sure they had never heard of. I had not heard of Icesave until about a year ago. Perhaps that is my ignorance, but I suspect that those friends of mine who had money in Northern Rock had not heard of that 10 years ago. People were prepared to risk their life savings for half a per cent. That was a big mistake on their part. If we protect them from that, we will pay the price of more and more money going into institutions that are taking higher and higher risks. That is how they earn the extra money to pay the extra interest.

When these extraordinary times are over, depositors will have to bear part of the risk of their own choices. In the past, they would have got the first £2,000 back and 90 per cent. of the next £33,000. Obviously the £2,000 was to save the administrative hassle of having to knock a couple of hundred pounds or a hundred pounds off what people were paid back. However, at the £50,000 level, there must be some risk, and 10 per cent. seems not unreasonable. People may need to be educated about this. At present they take no risk at all. The risk has been passed on to the rest of us and, essentially, passed on to the taxpayer.

Frank Dobson: I have some sympathy with the hon. Gentleman's point of view, but is it not the case that if somebody had checked up on some of those products on the internet, they would have discovered that Standard & Poor gave them a triple A-plus rating. It is noticeable that Standard & Poor advised Northern Rock on the formulation of a particular product and then—surprise, surprise—gave it a triple A rating.

Mr. Maples: The right hon. Gentleman makes a fair point. The only point that I am making is that if in future the taxpayer or all of us collectively through a deposit insurance scheme are to pick up the costs, people cannot be left free of the consequences of choosing the more risky investment. Whether it is triple A or double A, most would recognise that depositing money with Lloyds bank—at least I hope so in my case—is a slightly safer bet than depositing it with Icesave. Perhaps I am about to get a rude shock.

Stewart Hosie: Will the hon. Gentleman give way?

Mr. Maples: No, I have made my point on that and I want to move on to bank regulation, which is really what the Bill is about and where the failures have been.

The fact that the Government have had to underwrite the system in the way that they have and put in unprecedented sums of public money will, I am sure, lead to much tougher regulation. I hope that that regulation will be really intelligent, but I suspect that the Americans will make this mistake too. We do not want to put London in a position where we drive financial services business away. It is still a big industry and not everyone has been at fault here. Not everyone has been a greedy spiv. There are plenty of people in the City doing very ordinary jobs as secretaries, receptionists and computer programmers, and they will lose their jobs too. We need to protect the industry by regulating it intelligently. I do not know whether the regulation should be light touch or heavy touch, but in our search for the solution to this crisis, we should not lay up such problems.

I want to identify a couple of mistakes. First, it was a mistake to downgrade the role of the Bank of England. That point has been made by Opposition Front-Bench spokesmen extremely well. It was operating in the markets the whole time. It was operating in the bond markets, the foreign currency markets and the money markets. It understands what is happening there in a way that I do not think the FSA ever has. Secondly, the FSA brought together a series of regulatory organisations with a preponderance of interest in the consumer. That is absolutely right; the retail consumer needs to be protected, but the culture of the FSA has been about protecting the retail consumer, depositor, investor or pension fund holder, and it has not concentrated sufficiently on, or understood sufficiently, the money markets in the way that the Bank of England does.

I was in favour at one time of going back to where we were and giving all this power back to the Bank of England, but the difficulty of that is that the counter-party risk in securities houses now is so great that it can bring down banks as well, so it probably does require the securities regulator, the FSA, to be involved. I hope that the new system will give the Bank of England not just an additional enhanced power, but the primary role in this. The problem with tripartite regulation is that everyone thinks that somebody else is doing it. That is pretty clearly what happened here. Everyone's eye was off the ball until a few months ago. It would probably be best if the Bank of England had the lead role in this.

Warren Buffett, who is my capitalist guru to put up against the interventionist guru of my right hon. Friend the shadow spokesman, said that bankers seem to have spent the last 10 years inventing a whole new series of ways of losing money, which was completely unnecessary because the old ways were working fine. We will have a credit crisis every so often. There is a credit cycle, but the important thing is that if the monetary and regulatory authorities get a grip on that and do not let the money supply get out of control and raise capital requirements as risks increase, we can ameliorate this and not end up with the crisis that we are in at the moment.

The next crisis will be different. Each one is different and the next one will be caused by something else. In trying to ensure that this one does not happen again, let us not take our eye off the more general ball of what is

[Mr. Maples]

important, which is that banks maintain adequate capital and that the authorities do not allow the money supply to grow too fast.

Those points have been made by many who have spoken, but I want to make a couple of others. I have a list of culprits and first, in ascending order of culpability, I perhaps put myself and some of my colleagues, because I noticed too late that this was happening. I used to follow this subject the whole time and I like to think that if I had not moved off to worrying about foreign affairs more, I would have noticed what was happening. But the fact is that until the Northern Rock fiasco, I did not realise how bad this problem was likely to get, and I think that goes for some of us, though not others, particularly on the Treasury Committee, who have flagged up some of the dangers.

Secondly, for every reckless lender, there was a reckless borrower, and people must take some responsibility for their own actions, not just in deposits but in what they borrow and being confident that they can afford to do that. They were, of course, encouraged to do so by people who were a lot more sophisticated than they were, and some innocent borrowers are paying the price for that.

My third culprit in ascending order of culpability is the Bank of England for allowing broad money to grow so fast and reducing interest rates while it was doing so, and then being surprised that inflation on the retail prices index had risen to 5 per cent. I do not believe that it is all due to the oil price, because when the price of one commodity rises, people have less money to spend on something else. It may alter the index, but it does not alter inflation—if one, like me, is still a monetarist. Therefore, the Bank of England has some pretty serious questions to answer. The only role it really has at the moment is inflation and monetary policy, and its eye has been a bit off the ball there. It happened in the mid-1980s when we had an excuse, which was that the market had been deregulated at the point and the authorities thought that there was a one-off adjustment in people's willingness to carry debt, which there probably was, but it still resulted in inflation towards the end of the 1980s and partly caused the stock market crash of 1987. So the Bank has plenty of history to draw on here so that it does not make the same mistakes again.

My fourth culprit—now we are getting to the serious culprits—is the FSA. It has been asleep at the wheel or on the bridge, whatever metaphor one wants to use. It is extraordinary to me that the Government have not insisted on any resignations from the FSA over this. It is a total, comprehensive and abject failure of regulation that this crisis was allowed to get as bad as it did. I am not saying that people should have spotted three or four years ago that this would happen, but should they have done so one or two years ago? Very little, if anything at all, seems to have been done during that period by the regulators.

My fifth culprit—we are now getting to those who are seriously involved—is the banks themselves. What they have been up to is reckless and irresponsible, and bankers are supposed to be extraordinarily intelligent people, who are paid very large amounts of money to run our affairs. The Government seem to have had to insist upon the resignations of the three executives who announced their resignations yesterday. I notice that they did not do so voluntarily. I do not know whether anyone saw the pictures on television of the board of a Japanese insurance company that went bust about two weeks ago, but the board announced what had happened, took full blame, and bowed in sorrow, shame and apology. There seems to be no shame on the part of those who have been happy to be paid huge sums. The chairman of HBOS was paid £750,000 a year—and the same applies to the Royal Bank of Scotland—and the chief executives were paid £2 million and £4 million respectively. Is there no sense of honour any more?

I know that people do not resign very often, and perhaps that goes for politicians as much as bankers. They cannot have seen that they made the most horrendous mistakes and that they owe the rest of us an apology in at least resigning, and not being forced to go. However, one cannot just blame them because they have had supine boards of directors who clearly did not understand what was going on. The good and great names of the Scottish establishment are all over the Royal Bank of Scotland's board, and of the English establishment all over one or two of the others as well. Where were they, and where were the shareholders? Why were not the shareholders saying something about this? It is not just the fault of the executives; they were allowed to get away with this by their boards of directors and shareholders. However, they must bear the lion's share of the blame.

Usually one would not worry too much if a private sector company, even a big one, got into serious difficulties. The shareholders would lose some money and it would be restructured and recapitalised. The problem with banks is that they can suck the economy down with them too. That is why they have a special responsibility to the community that they serve, not just to look after their own affairs, but when they get things wrong there should be the understanding that they endanger the whole economy as well.

Now we come to the Government, and I am afraid that the bipartisan chorus of the last few weeks has been because the Government have had a huge crisis on their hands and have had to find a solution. I believe that in the circumstances they have found the right solution. We will see whether it works. I am not sure what else they could have done, except perhaps, as I said, do it a little sooner. The Chancellor of the Exchequer has been in office for 15 months. Northern Rock was more than a year ago, and that was a year in which far more could have been done to put right some of the faults in the system.

But the person who has been there for 11 years and who is really responsible for most of what has gone wrong is the Prime Minister. It was he who changed the regulatory system to put the FSA in charge with this tripartite arrangement and took the Bank of England very specifically out of it because he thought that it would be too powerful if it had monetary policy and bank oversight as well. He presided over the debt-fuelled boom of the past 11 years that has been criticised for several years. He is the person who let public spending rip in a way that fuelled that boom. He is the person who ran public sector fiscal deficits at the height of the boom at a point when we should have been running surpluses so that now the Government would have more room to adjust to the recession in the way that they usually would in a Keynesian sense. Now

they have to do so by racking up even more borrowing on top of borrowing in good times. He is the person who, having given the Bank monetary independence and the FSA responsibility for bank regulation, failed to monitor what they were doing.

Mark Lazarowicz: Will the hon. Gentleman give way?

Mr. Maples: No, I want to finish my point.

The money supply was growing at 11, 12, 13 per cent. when the Prime Minister was Chancellor. I do not know whether he made any phone calls about it to the Governor of the Bank of England, but he certainly should have done. In the arguments over the Governor's reappointment, that is something that he should have been doing. He has watched the FSA, with the supine attitude that it seems to have had to practically everything that has happened on its watch—an authority that clearly did not have the expertise to regulate the banking system. It seems that everybody could see a crunch of some sort coming, except the former Chancellor.

Mark Lazarowicz *rose—*

Mr. Maples: No, I shall not give way; I want to finish my remarks.

The Prime Minister tends to seek refuge in the notion that the crisis is all the fault of the United States, but the United Kingdom banking system was and is his responsibility. Yesterday, he made an interesting speech to Reuters. Anyone reading it would think that it had been made by some visiting consultant who had been hired a couple of weeks ago to tell us what was wrong with the system. The speech was about all the things that are wrong and all the things that we should do to put them right. Why did he not recognise those things two or three years ago? Why has he not been doing those things?

We use the fire analogy a lot. The Prime Minister is like the watchman at the office building. He watches an increasing number of all sorts of people whom he has never seen before—some of them looking pretty dodgy—going in and out. Then he watches people taking petrol in, then somebody who takes matches in and when the building goes up in flames, he expects our gratitude for phoning the fire brigade. The Prime Minister was responsible for the system when it imploded and he expects our gratitude for having cobbled together a solution to it. When the banking element of this crisis is behind us and it emerges as what I believe will be an 18-month to two-year recession, people will remember that this Government presided over the ingredients of that recession.

7.40 pm

Stewart Hosie (Dundee, East) (SNP): It is a pleasure to follow the hon. Member for Stratford-on-Avon (Mr. Maples). I have heard him make similar speeches about how individuals should take responsibility to manage risk. He has given the same treatise about moral hazard before, and I know that he is not comfortable with the full, all-deposit guarantee. I understand his point when it is applied to normal circumstances, and I would agree with him in normal circumstances.

However, the economic climate is very unusual at the moment. Obviously, we welcome the increase in the deposit guarantee to £50,000, although we would have liked it to have gone much further. With the increase came the argument that the guarantee covered 98 per cent. of all depositors, which is absolutely true; the problem is that it goes nowhere near covering 98 per cent. of all deposits. That is why local authorities, charities and pension funds have huge exposure if they put part of their money into some of the banks and schemes.

Icesave was used as an example. I am aware of one organisation that put a substantial amount into one of the Icelandic banks. It did not simply look up the website and send a cheque. It checked not with one credit agency, but all three; it did all the due diligence that it could, and it still might get stung. When we get to the stage of considering regulation more generally, rather than the narrow but important element in the Bill, the Government should consider how the credit rating agencies work, and the agencies' transparency and fee structures. I do not mean to be over-critical, but something has gone seriously wrong when people depend on credit ratings that turn out to be wholly false.

I shall not range too widely; I want to stick to specific clauses in the Bill. Before I do, I should say that I agree with many hon. Members that we need to have the debate on the necessary changes in regulation soon and that I want to go into a little depth on the subject of my earlier intervention on the Chancellor. The Banking Bill flows from "Banking reform—protecting depositors: a discussion paper", published in October 2007; from the Chancellor's statement on 11 October that he would review the existing supervisory regime; from the January 2008 "Financial stability and depositor protection: strengthening the framework" document; and from the July 2008 "Financial stability and depositor protection: further consultation" document. I should not forget the Banking (Special Provisions) Bill, which allowed the nationalisation of Northern Rock.

All those other documents were informed mainly by the Northern Rock crisis. This Bill follows in the wake of a new banking crisis and must set out the framework for dealing with failing banks generally—bank insolvency, bank administration, the Financial Services Compensation Scheme, inter-bank payments and other matters such as the Scottish and Northern Irish note issue, on which I shall touch briefly at the end. Other aspects of rebuilding confidence and stability in the banking system are variously the responsibility of the FSA, the Bank of England or the Treasury and may not require legislation; existing powers may be able to introduce such measures.

I am pleased that we are finally getting round to discussing the Bill, not least because the foreword to the July 2008 Treasury publication that I mentioned stated:

> "The recent sustained period of disruption in global financial markets, starting in summer 2007, has had a widespread impact on firms and markets across the world".

It is right to put on the record that nine months ago, on 21 January, I asked the Chancellor a question that others have also raised: would it not make sense to draw up the detailed changes needed to deal with failing banks before a nationalisation or takeover was required? He said that that would take some time, although I did not expect it to take this long.

Since the Northern Rock debates—let alone the Northern Rock rescue plan, which happened some time later—three banks have been recapitalised, the takeover of Bradford & Bingley has been facilitated, there has been a massive expansion in liquidity provision and an increase in

[Stewart Hosie]

depositor protection, and the Government have stood behind inter-bank lending. Although I back those plans and expect them to work, it seems staggering that a key plank of the Government's programme—to have in place the full panoply of protection that we needed, including to deal with failing banks—is being introduced a year after we first discussed it in October 2007 and 18 months after what the Government recognise as the start of the financial crisis in summer 2007. We are putting in place provision to deal with failing banks after the banks have failed and a year after we started debating the issue.

I want to turn to some of the clauses, although I am not going to go through all the clauses of concern to me because that can be done in Committee, and other hon. Members have raised many of my concerns already. However, I have a few questions that have not yet been touched on. Before I come to those, let me mention the special resolution regime and in particular the concept of the bridge bank as a stabilisation option. During the Banking (Special Provisions) Bill, I said that there was the facility for a primary transfer of private assets to a public body and then the provision for a secondary transfer back to the private sector. However, there did not appear to be provision for what we might call a private sector administration and then a secondary transfer to the private sector proper. I am very pleased that the bridge bank concept is there as an intermediate stage to allow secondary transfers to wherever; that is particularly helpful.

Clause 19 relates to the use of a share transfer instrument. That can allow bank directors to be appointed, removed or have their contracts varied, and that is extremely sensible. However as the hon. Member for South Derbyshire (Mr. Todd), the right hon. and learned Member for Rushcliffe (Mr. Clarke) and others said, we need to look again at the relationship between the state and the banking system because of the new arrangements—the huge stake that the Government and the taxpayer have in the banks. It is worth the Treasury considering that that power to have bank directors appointed, removed or their conditions varied should be applicable only to the Bank of England and that the Treasury should not be included as a body able to hire, fire or vary contracts. If it had those powers, that would bring a real risk—even if only of perception—of the wrong sort of political interference. By all means, the Bank of England should have the powers, and quite right too. However, if the Treasury took such decisions, that might give the wrong signal. Why has the Treasury been included as a body able to direct such hiring and firing and the amendment of bank directors' contracts?

Clauses 42 and 43 are about the restriction of partial transfers to protect certain interests. That is also welcome, not least because it gives the Treasury the powers to avoid the difficulties with "set-off" or "netting" arrangements; that is incredibly important if everything is to be done properly. However, all that will be achieved by secondary legislation. When will the Treasury publish the draft statutory instruments? Will there at least be codes and guidelines for us to see in Committee?

Clause 64 has been touched on, and it is extraordinarily wide. It allows the Treasury, by regulation, to make provision in relation to capital gains tax, corporation tax, income tax, inheritance tax and stamp duty of varying sorts. Subsection (4)(a) allows it to

"modify or disapply an enactment".

The Chancellor said earlier that that would only happen in the prosecution of the delivery of a special regime for a failed bank—I am paraphrasing, but I think that that is what he said. They are very sweeping powers, and if the Economic Secretary could tell us why the Treasury deemed it necessary to include such a wide list, that would be helpful.

Clause 73 covers the distribution of assets on dissolution or winding up the surplus after creditors and shareholders have been paid. I presume that the power to alter priorities is to ensure that, where taxpayers money has been used to prop up and assist a building society, money can be returned to the taxpayer should there be any surplus left, rather than dispersed in the normal way with the winding-up of a company. I would be grateful for confirmation of the logic behind the power to alter priorities in clause 73.

Part 4 of the Bill will empower the Treasury to regulate the pre-funding of the Financial Services Compensation Scheme. We have heard a lot about that, and I want to go on record to say what everyone else has said: it is absolutely right and proper that pre-funding takes place, but to do it now at a time of fragility, thin balance sheets and terror in the banking system might not be the cleverest idea. It would be useful if the Economic Secretary could advise what the Government's thinking is on that, and tell us whether they want to see heavy-duty pre-funding now, or whether it will be rolled out over time as economic circumstances improve.

I turn briefly to part 6, which deals with Scottish and Northern Ireland banknotes. I understand that the provisions will allow authorised banks to continue to issue them in the normal way. The question that arises with the Lloyds TSB takeover of HBOS is whether the Bank of Scotland part of HBOS, or Lloyds TSB-HBOS, will still be an authorised bank to ensure the continued printing and distribution of Bank of Scotland notes, or would the new entity be authorised to do so? I am sure that that is the case—the Chancellor seemed to indicate that it was earlier—but clarification would be helpful.

I would like to end with two questions, which have been touched on, about the Bank of England. Clause 218 might effectively reduce the number of meetings of the court of directors by half, and clause 223 removes the requirement for the Bank to produce a weekly return of accounts. At face value, that opens up questions about the proper level of internal questioning and scrutiny, and of external transparency of the Bank. I understand the Chancellor's argument that when the Bank of England is the lender of last resort, in extremis, any indication that Bank A, B or C has borrowed £5 billion, £10 billion or £15 billion from the Bank of England might send a particular signal to the market. But on the basis that the Bank is currently almost a lender of first resort, that stigma has gone completely, and I wonder whether that lack of transparency and the consequent opaqueness is the right thing to do.

I am sure that the Economic Secretary has taken notes on those questions and will give me full answers in few minutes time when he sums up, or in Committee at some later point. We have no intention at all of standing in the way of the Bill. We welcome the stabilisation

package, and we have said that we expect it to work. We may table amendments with the purpose to probe, or to improve; and we may well have tough questions on the rationale for certain things, but tonight at any rate, we will certainly not be calling for a Division on the Banking Bill.

7.54 pm

Mr. John Redwood (Wokingham) (Con): I welcome a Bill on this subject, and I am glad that my right hon. and hon. Friends on the Front Bench are in a collaborative spirit, because this is a case where working together might improve the Bill. It needs a lot of improvement, because the main things that have gone wrong in the past 11 years stem from the grave weakening of the Bank of England that occurred in 1997.

I would like the Bill to go much further than the current draft in giving back to the Bank of England the powers that it had before 1997. I would like the Bill to make it clear that the Bank of England needs to see and understand all of the business in the money markets. The Bank needs to have powers and duties so that it is the prime driver of the money markets. I would like to see the Bank have those powers back so that it is a better judge of the amount of cash and liquidity that we need in the system at any given time, and so that it is more able to enforce its interest rates in the marketplace, which it has been unable to do during the recent, extraordinary breakdown of the markets.

Like my hon. Friend the Member for Stratford-on-Avon (Mr. Maples) and others, I believe that this is not just a story of big banking error—although it is clearly such a story—but a story of massive regulatory failure. I would highlight three regulatory failures, in a different way from my hon. Friends so as not to bore Members or repeat things that have already been stated. The first failure is the regulatory failure of the Monetary Policy Committee of the Bank of England. In the early part of the decade, the committee kept interest rates far too low. It seemed unaware of the power of low interest rates to drive ever more credit, lending and borrowing in the system, and it ignored all the warning signs in the asset markets and the credit bubble that was emerging in the banking figures. Worse than that, the committee is now making exactly the same mistake in reverse. Now that there is a need to fight the problem of recession and deflation, the MPC is driving the car by looking in the rear-view mirror. It is shocked at how much inflation has got out of control, so it is keeping interest rates far too high for current conditions, and way out of line with those in the United States of America, for example.

David Taylor (North-West Leicestershire) (Lab/Co-op): The right hon. Gentleman talked about restoring powers to the Bank of England. Is he about to make the point that monetary policy decisions on interest rates should be taken away from it, almost as a quid pro quo? In the example that he gave of interest rates being set far too low in the early years of this Government, to which I infer he refers, surely the Bank was in pursuit of the target that it was given by the Chancellor of the Exchequer on inflation.

Mr. Redwood: It clearly was not because the target was to keep inflation to 2 per cent. Inflation is currently 5 per cent., so it is 150 per cent. over the target. I am afraid we have to judge that the MPC got it comprehensively wrong. I am not suggesting taking the ability away, or putting the matter back under ministerial control; I am making a plea for a much stronger Bank of England that sees all the market activity and Government debt, which was taken away from it and nationalised into the Treasury, and which sees all the day-to-day transactions of the banks because it is regulating them. It would then understand the money markets, and if bankers, alongside academic economists, were trying to produce a total package on how we intervene, how much money we supply and at what price we supply money, the institution would have a better chance of making those independent judgments in the interests of the whole economy. I do not think that anyone in this House can allege that the MPC has been a success, because inflation stands at two and a half times the target, the money markets are in meltdown, and interest rates are now far too high for most borrowers. That increases the likelihood of default on loans and further undermines the asset base of the banking system, which is in a very fragile condition.

The second set of errors that were made by the regulators relate to money market liquidity. Perhaps things were too integrated on this occasion, but in the early part of the decade the Bank of England reinforced the message of the MPC by making large amounts of cash available—the markets were too liquid. More recently, the Bank started to withdraw liquidity and every time it did so in 2007, and even in 2008, it exposed more financial institutions to difficult pressures, which we have seen bubble up from time to time. The lesson has been learned there, and while I regard the MPC as still making the same old mistakes, the Bank is now doing exactly the right thing, with Government help, by making huge amounts of liquidity available. There have been statements that it intends to carry on doing so while the fragility continues, and I am pleased we have got to that point, but if we look at the record of the previous seven years, we see—because the Bank did not have the knowledge and powers it used to have—that it was too easy in the easy times and that it withdrew too much liquidity at times of stress and difficulty.

The third set of problems has arisen in the way that banking capital and banking caution have been regulated, as my right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke) and my hon. Friend the Member for Stratford-on-Avon said. There is no doubt that, again, we had pro-cyclical regulation. In the easy money times, the regulator did not seem too worried about banking capital and the gearing. Indeed, we saw the gearing of institutions massively increase over the levels of the '80s and '90s. I am afraid that those Members who say that such problems date back to the '80s do not understand the situation. The gearing in banks is far higher today than it was allowed to be under the system in the '80s and '90s.

Now we see, at this rather late stage, the regulatory pressures towards having more banking capital relative to the stock of debt, at exactly the point where the system is extremely fragile. I urge the Government to be careful not to go in for more pro-cyclical regulation, so that they do not increase the deflationary forces at exactly the wrong time, just as the regulatory system seemed to increase the inflationary forces during the days when money was far too easy.

I would like the Bank of England to be reconnected, by being the agent for Government debt, by being the

[Mr. Redwood]

supervisor of the banks, so that it sees all the money market transactions, and by being given more opportunity to manage not just the price but the quantity of money, so that we can have a smoother progression. We have lurched from boom to bust and from unacceptably high inflation to what I think will prove to be a lot of disinflation, as we see the impact of the credit implosion come through in prices.

When I was first invited into government, I was given the job of insurance regulator for the then Secretary of State for Trade and Industry. The two main duties of the insurance regulator, which was then a ministerial role, were to ensure that the insurance companies were solvent and to ensure that they were run by fit and proper people. That regime was rather similar to the kind of regime that applies in broad outline to banks and it was perfectly sensible. Coming from a financial background, I had a great fear that conditions would get tough in the early '90s and that there could be a casualty or two in the list, so I asked for proper information from my regulatory team. It took me a little while to get it in the form that I wanted, but we had the powers to procure it.

Once I had on my desk the balance sheet and the profit-and-loss risk, as we saw it, of those institutions, I managed it. If I saw an institution that I thought might be short of cash or in some other difficulty in six months or a year, I would get on the phone to the chairman of that company privately and say, "I am your friendly regulator. I do not have a power to instruct you to raise money, but it seems to me that it would be very helpful if you did raise some money." In each case the chairman was very obliging and said, "Actually, it's a good idea," or, "Yes, we're going to do it." In each case they raised money and those institutions got through what was a fairly unpleasant insurance downturn with no problem.

It is not that difficult for a regulator to do that, because they have access to the information, but it is most important to follow this fundamental principle: they must always act in private. They must never name the institution or seek any credit at the time, because we are talking about incredibly price-sensitive information. If any wind or whiff gets out of the office that the regulator has even a scintilla of doubt about an institution, there could be a run on it and a lot of negative journalism about it. The regulator's task will then be 10 times greater, because the institution will be on the slippery slope downwards and it will be damaged.

I therefore urge the Government to ensure that there are no leaks or running commentary to us and the public as such difficult and sensitive discussions are under way. Those occasions are ones when it is best if things are done in private and as speedily as possible, and if we are told only when the decision has been made and the proper authorities can be notified.

Apart from greater powers for the Bank and whatever powers the regulator needs to regulate intelligently in the way that I have described, I would also like to see some kind of control in the Bill of the ability of the Government and the Bank to use the special powers of acquisition. I strongly believe that in practically every case, if not in every case, it should be possible to solve such problems with private sector solutions, such as through private sector fundraising or by cancelling the dividend, cutting costs, shedding some assets, having some disposals or ensuring that capital can be found from sources outside over a reasonable time period.

Those are some of the panoply of ways a business can try to get its capital ratios into shape and get the cash that it needs to continue its business. It should be in the interests of all well-meaning people in the House to keep those things in the private sector, to make businesses accept the disciplines of the private sector, to blame those in charge of them when they get it wrong and to ensure that the new management sort things out as quickly as possible.

However, my worry about the proposals before us is that the taxpayer is being asked to take on too much risk. The three banks to which public capital might be subscribed—I say "might" because a number of votes have to take place and there are still opportunities for private shareholders to come forward with money—have, in aggregate, balance sheets of almost £3 trillion. That is twice the country's national income and around five times its annual tax revenue. If something went wrong and just 1 per cent. of those assets had to be written off, the owners of those banks would collectively lose £30 billion.

Thirty billion pounds is a very large sum of money, even for the British taxpayer. It is 5 per cent. of tax revenue in a single year. Are we sure that there could not be a 1 per cent. loss on the assets of those banks when they come into public ownership? I know that some of those assets are as risk free as one can get, and include Treasury bills and that sort of thing, but some of them are not. Some of them are the mortgages and the loans to companies that we have been worrying about. We are being asked to absorb those assets as we go into recession, when it will not be just the mortgage book that deteriorates in quality, but the loan book to companies, as I fear that we are about to enter a period when companies will find it difficult to keep going. In some cases they will find it difficult to earn a profit or generate cash and will look to their bankers for more support. In some cases, businesses will stumble and be incapable of keeping the payments going.

I would therefore like a reminder in the legislation—and perhaps a requirement to come back to the House in an emergency—that there must be some limit. Just as we are now preaching to the private sector that banks should not get over-geared and over-borrowed, should we not be preaching to ourselves that the Government and the public sector should not get too over-borrowed and over-extended? I hope that the Government will go away over the next two or three weeks, work with those banks that have given an indication that they might like public capital, go through the figures again and ask, "How can you get the demand down? How can you generate more cash for yourself? How can you get more private sector capital coming into your bank to cut the taxpayer risk?" Otherwise, the British state will be left in a weakened condition, which is not what we want at this juncture.

8.7 pm

Mr. Andrew Pelling (Croydon, Central) (Ind): My declarations are on the record, but I should add to them the risks that I have with a NatWest overdraft and a NatWest mortgage.

The Bill is welcome if it allows for the opportunity for bad debt to be brought off the balance sheets of the banks. In response to my earlier intervention, the Chancellor reminded us that there is already temporary provision for those bad debts to fall upon the balance sheet of the nation, but it is not a permanent change. My view is that what we are seeing is purely a relief rally. The prospects for things to get a great deal worse are still there. That is because, without the masking of Government support, the trust in those financial institutions still does not exist. They are badly wounded institutions that need that bad debt cleansed from the wounds that have done them so much damage. What has been done is a powerful palliative, but it is not a cure.

There is something very British about this debate, which is about pulling together. Also the Bill is perhaps about closing the barn door after the horse has bolted, because unfortunately the crisis will, I think, get worse, particularly if we rely upon some of the current consensus on how financial affairs should have been pursued over the past 25 years. It is not necessarily the case that the Bank of England's performance is so good that it should have more power. The Chairman of the Treasury Committee referred earlier to the experience of Japan, where the lack of a policy initiative led to interest rates being held far too high, damaging the economy for almost a generation through the destruction of asset value and the subsequent destruction of economic growth.

I attended an induction for a vicar in one of my local churches recently, at which the Bishop of Croydon spoke. He spoke from a moral point of view, but he also gave us an economic lecture about the value of money. He said reassuringly to the large congregation that the assets of the nation remained the same. That is very much an economic analysis, because in reality it is money that has been devalued over recent years.

Serious consideration should be given to the shadow Chancellor's proposals for the introduction of what I would call circuit breakers. In a bastardised means of pursuing Keynesianism through monetary policy, every time there has been an economic crisis, misjudgments have been made about the weakness of the economy. Recently, that has been seen in the collapse of the equity market in 1987, the Asian financial crisis and the dotcom boom. We also saw exaggerated easing maintained for far too long. Most importantly, the economic and political consensus has been about the targeting of retail price inflation, with no one taking responsibility for asset price inflation. The problems can perhaps be dated back to 1971, when President Nixon moved the dollar away from its gold link. In many ways, the abuse of money by bankers has been the problem.

I noted the comment by the right hon. Member for Holborn and St. Pancras (Frank Dobson) about the way in which bankers can also devalue the use of language. The word "innovation" was often an alternative way of describing moving away from transparency in financial markets, which has left the financial institutions badly placed to take a proper measure of their risks and losses. Indeed, I was much taken by a commentary by Jon Moulton of Alchemy Partners, who very appropriately said that the economy needed innovation among investment bankers as much as we need innovation among airline pilots.

The problem of the loss of transparency ought to be addressed in legislation, as there is a continued desire by financial markets to move further and further away from transparency. There seems to be some support in the City—and, indeed, some blessing from the Government—for the idea of encouraging what are called dark pools. These involve the ability to trade in equities off the stock market and out of sight in terms of the immediate reporting of substantial trading in a market. That strikes me as a counter-intuitive approach.

A further issue that cuts against the general consensual thrust of the thinking on how our financial markets should be run is the impact of globalisation. There was a time when the Bank of England would have had real responsibility for giving permission for transactions to be issued within the sterling market. Perhaps there is a role for authorities to give such approvals, particularly for products that are sold from outside our own European region.

One of the strengths of the Asian financial system is that it is, to some extent, separate from the rest of the international global financial system. Some of the protection that has lessened the effect of the crisis on the Asian markets is a result of that market stepping slightly aside from markets elsewhere. We need to consider whether the liberal economic approach that we have taken over the past 25 years is indeed the right way to progress. Given our very damaged domestic financial institutions, we need to ask whether, even with capitalisation from the taxpayer, they will be in a position to lend for mortgages and for commerce.

There is a lot to be learned from what happened during the Swedish financial crisis. It was felt important to set up separate governmental organisations, such as SBAB and Finansius, to act as a spur to encourage competition and confidence in private sector institutions so that they would continue to lend money to the economy, to keep it robust.

There is also the issue of who gets the most protection in this kind of financial crisis. The reality is that it is not the small individual who has taken on large debts who will be bailed out, because they do not have the same fundamental impact on the overall macro-economy that the large financial institutions have. It is incumbent on any legislation—this Bill or any further legislation—to deal with the question of social and commercial responsibility, in relation to the danger of a further downward spiral in the performance of the economy if we were to pursue foreclosures and the shedding of assets, which would further complicate the economic crisis.

There is a need to impose on financial institutions some kind of circuit breaker, in regard to the disposal—and forced disposal—of assets. I am certain that my constituents in Croydon will think very little of the idea of bailing out banks and senior investment bankers if they themselves are not to be offered at least some breathing space in which to determine how best to cope with the financial crisis.

8.17 pm

John Howell (Henley) (Con): It is worth reiterating that a major banking failure in this country is extremely rare. That makes the need to answer questions about this crisis sooner rather than later even more important.

[John Howell]

We are told, however, that we are required to deal not only with the present crisis but to introduce a regime for long-term confidence—hence the Chancellor's reference to this legislation being permanent.

The problem that I have with the reference by the hon. Member for Twickenham (Dr. Cable) to a tsunami is that tsunamis are natural and largely uncontrollable. The image of a house fire used by my hon. Friend the Member for Tatton (Mr. Osborne) is much more apt, because house fires are often caused by the carelessness of owners, and they can be prevented. We have heard a series of recommendations from Conservative Members on how reform needs to take place. To give the Government credit, we have also been teased with opportunities for reform that will be brought forward in due course, including the much-awaited report from Lord Turner.

It would be a much greater reflection of confidence in the UK financial system in the long term if, as I would have liked, there had been some provision in the Bill to return to parts of it at a future date, in the light of experience and of needs. The impact assessment highlights the potential for shareholders' interests to diverge from those of depositors in times of financial stress. That is seen most clearly in the balance that needs to be struck between making rapid payouts to depositors and the need to maintain value in the banks. Disorderly bank failures will affect the City's pre-eminence as a financial centre, but so too will maintaining a divergence between the interests of shareholders and depositors, when they do not normally conflict. It is important to ensure that these are brought back into alignment as quickly as possible, and I would like some assurance from the Minister that he feels comfortable that that is embedded within the Bill.

I raise this issue because the time scales for the Government holding shares and being involved in the management of banks are likely to be long. The impact assessment hints at that, in showing that the average length of the crises in the developed countries is five and a half years. As the Bill proceeds, we need more detail on how and when intervention will occur, more modelling of the effects on shareholder confidence and a reassurance that the Government will resist micro-management for long periods. There is a follow-on from that in respect of the work done for the impact assessment, as we must ensure that the costs of the proposed measures have been accurately defined, given the lengths of time that are likely to be involved.

The Bill is heavily dependent not just on secondary legislation, but on the code of practice. I was grateful for the comments and assurance earlier that the code of practice will be produced in parallel with progress on the Bill. I would like to make two points about the code. A restricted number of people are presently envisaged as consultees for the code of practice. It needs to be wider, and we need input from practitioners to ensure that the code is practical and avoids unintended consequences. I look forward to hearing the Minister's comments on that.

The list of areas to be covered in the code is set out in clause 5. Given the emphasis elsewhere on protecting depositors, I am surprised that the code of practice makes no mention of communication with depositors and provides no guidance on it. I would very much like to see a widening of the code beyond its current narrow confines, so that we can see how it will operate at a wider level.

The problem of information from the Bank of England is still a live issue. Clause 223 removes the need for the Bank to prepare a weekly return of accounts. I cannot pretend that the Bank of England's weekly return of accounts has been my favourite bedtime reading, and I understand why the measure is necessary—something my right hon. Friend the Member for Wokingham (Mr. Redwood) hinted at in his speech. However, the lack of transparency over introducing it now, when the weekly return is already in place, will create the impression of doing deals behind closed doors, leading to the inability of shareholders and depositors to hold management to account. I have to say that I do not think that it will work, as I am less sanguine than my right hon. Friend about the City's ability not to leak. It was never my experience that it was able to keep a secret for very long; indeed, the situation where rumours are about is far more dangerous than where there is real information.

A number of Members have spoken about the role of the Bank of England. I support the greater prominence of its role, as set out in the Bill. I also welcome the Chancellor's agreement to review the regulatory system. What we need to ensure is that it regulates the right things, but I pick up a point made by some Labour Members: having a light touch and being radical are not incompatible in producing a review of the regulatory system. I welcome the Bank of England being given oversight of inter-bank payment systems, as when the Bill kicks in, customers should see no difference during a crisis.

8.23 pm

Mr. Charles Walker (Broxbourne) (Con): Thank you for calling me, Mr. Deputy Speaker, as I have had the slow torture of being the last Back-Bench Member to speak in the debate. May I say how pleased I am to see my hon. Friend the Member for Henley (John Howell) making such an impression after spending such a short time in this place? I reserve particular pleasure for seeing the hon. Member for Croydon, Central (Mr. Pelling) back in the Chamber; he has been away for a short while, but he made a robust speech and seems to be in robust form. It is very good to have him back.

This is the first chance, apart from the 90-minute debate we had last week, for Members to get near to the events—the almost calamitous events—of the last couple of weeks. I appreciate that this is not a debate on the current banking crisis, so I will try to speak within the bounds of the Bill before us. Clearly, however, there has been a collective failure of the regulatory sector and the banking sector. Of course, having been in power for the last 11 years, the Government have to take their share of responsibility as well, but I do not want to take a gratuitous swipe at the Government at this stage, as there will be plenty of opportunities to do so in the future. The collective failure has been clear and we cannot ignore the fact that the International Monetary Fund has said that, of probably all the developed economies of western Europe, we are one of the least well placed to cope with the current downturn. The Government need to take a good long look at themselves and ask whether they have done the right things over the past 11 years.

Unlike my right hon. Friend the Member for Wokingham (Mr. Redwood), I am not a financial expert; I worked in the City for a mere three months before being given my marching orders. I am absolutely staggered by the amount of risk banks have taken on board. I understand from my right hon. Friend that their liabilities are somewhere in the region of £3 trillion. That is simply staggering. What amazes me about the crisis is that we have moved on from talking about £10 billion as being a lot of money to £100 billion as being the same, and we seem to have moved seamlessly on from that to speaking of trillions of pounds and trillions of dollars. It is difficult to keep up with these enormous figures, but enormous they are.

What amazes me is that we did not learn the lessons of Barings. When Barings failed, the board of directors admitted that they really had no concept or understanding of the derivatives being traded on their trading floors. The complexity was simply beyond them. I thought and believed that the Bank of England and the Financial Services Authority had taken that into account and would do something about it to ensure that the boards of banks did not allow it to happen again. Clearly, however, it has happened again. We have seen banks leveraging their capital thirty-fold or perhaps more. What that means is that one pound of capital on the balance sheet—an asset of £1—is supporting £30 worth of risk or £30 worth of what could be called "make-believe money". The pyramid has been inverted, with £1 supporting £30. Like all pyramid selling schemes, it works well in the good times, but sooner or later, something goes wrong, the pyramid collapses and everyone is left picking up the pieces. On this occasion, I am afraid that it is the taxpayer who is left picking up the pieces.

This Member of Parliament has some very humble suggestions to make. First, the FSA has to tell banks that if they are going to trade in financial derivatives, as they will continue to do, we have to be able to understand them. We must understand where the risk resides. If we do not understand them, we should say, "Buddy boy in the red braces, you are not going to trade them." There has always been a sneering regard in investment banks for the FSA. They say, "We employ people who earn £3 million a year, and these thickos in the FSA understand nothing, as they can afford to employ people earning only £250,000 a year." Well, in this case that is a good thing. All the rocket scientists in the investment banks will have to sit down and come up with financial instruments that mere mortals—talented people, but still mere mortals—understand, and if they do not understand them, they will not be traded. [*Interruption.*] Does anyone want me to give way? I think that someone does, so I give way to him. I am sorry; I have taken my glasses off, so I am completely blind.

Mr. Andrew Turner (Isle of Wight) (Con): My hon. Friend is very kind. I understand what he is saying, but, in his opinion, what level of thought is required for an understanding of what is going on? Is he talking about asking people in the street, or on the bus? What sort of people is he describing?

Mr. Walker: My hon. Friend makes a good point. The regulators must understand the position and be comfortable with it. Some derivatives will be more risky than others. The regulator will say "If you want to trade in more risky derivatives, you must have a stronger balance sheet. Your balance sheet must, in a sense, be insured against failure by carrying more capital." That too will act as a disincentive to some of the more outrageous financial instruments.

Let me move from the exciting world of investment banking to the world of retail banking. Some of those present—including, I am afraid, many Members opposite—speak of the "tsunami", the crisis that began in America in the sub-prime market and swept over to the United Kingdom. Let us be perfectly honest: I do not think that Northern Rock trades in the United States, I do not think that Bradford & Bingley trades in the United States, and I am sure that HBOS does not have a mortgage business in the United States, yet those banks, and perhaps others, were offering people outrageous mortgages. They were offering 125 per cent. of a property's value, and they were offering self-certification. They were saying "Pick a number, and we will not challenge you." No wonder we have a home-grown crisis in this country.

I have to ask why on earth the regulator allowed the banks to get away with that. It was not done in secret; there were flaming advertisements all over their branches letting people know what a great deal they would get. If that did not set alarm bells ringing in the FSA, I do not know what would.

Mr. Pelling: I thank the hon. Gentleman for his kind remarks earlier.

Perhaps one of the fundamental reasons why such offers could be made is the fact that rating agencies often provided the necessary securities, especially in the form of inflated ratings. That applied to a large section of mortgages sold as AAA products. In many instances, neither regulators nor senior managers would even think to look at the quality of the securities that were being sold.

Mr. Walker: The hon. Gentleman makes a telling point. The Minister may wish to look into it.

I think that the relationship between rating agencies, auditors, banks and accountants has become a little too cosy. There are a few too many long lunches, pats on the back, and matey shooting parties after grouse on large estates in Yorkshire. I am making a serious point: we need to examine these relationships. If there has been a failure in a duty of professionalism, legal action may well need to be taken against the responsible individuals.

This is a banking Bill—a banking Bill about the regulation of the banking sector—so let me return to that. I make a plea to the Minister, and to all my colleagues, that we examine, collectively, the practices of some of our high street banks at this moment in time. It is simply not acceptable for a person who exceeds his or her overdraft limit at a major high street bank by £1 to be immediately slapped by a charge of £15 a day. If it takes three or four days for the bank to send a letter to such people alerting them to the fact that they are overdrawn by £1, the charge may have increased to £60, £75 or even £90 before that person realises that they have a £1 overdraft.

Such rates of interest are absolutely usurious. Anyone who sold them door to door would be arrested. They would be locked up and, rightly, the key would be

[Mr. Walker]

thrown away. The practices of some of our high street retail banks are shocking and shameful, and now that they are being underpinned by the taxpayers, those taxpayers—our constituents—will have even less patience with the outrageous and, quite frankly, vicious charges levelled at some of the most vulnerable and least well-off members of society.

Let me make a couple of other points. Banks need to strengthen their balance sheets. They want to obtain cash from wherever they can obtain it, and there is every chance that they will target good and successful businesses in pursuit of that money by raising interest rates to a level that not even a successful business in the good times could possibly hope to meet. So they will sacrifice the long-term viability of that business—that client—in return for a short-term gain to their balance sheets. I hope that the Minister is aware that that may happen, and will follow developments very closely.

I am sorry that we have come to this stage, but it is absolutely right for the Government to be guaranteeing savers' deposits. Let us be in no doubt, however, that this is a massive transfer of wealth from some of the least well-off in society, and I shall now briefly explain why that is the case. We all have many constituents—some Members have more than others—who earn at or just above the minimum wage. They live day to day and week to week. They do not have savings—or, at least, significant savings—or mortgages, yet they will underpin this bail-out through an inevitable increase in their taxes over the next two or three years. Therefore, we need to be mindful—as I know my hon. Friend the shadow Chancellor is—that some people at the very bottom of the income scale will get very little out of this bail-out, and if we get into Government at the next general election, we must find a way of helping them. In the meantime, I hope the government of the day are also mindful of their plight, and that they find a way of helping them.

Having expressed those few thoughts, I will sit down, but I must first have just one passing swipe, not at the Government, but at the British Bankers Association—I believe that is what it calls itself. The brief it sent round in advance of this debate was pathetic. It should hang its head in shame; there was not a note of humility anywhere to be found in it. Yes, we need the banks in this country, but they have a lot of ground to make up, because no one trusts them anymore, and as we all know from our time in this place, trust needs to be earned. We must at present have all hands to the pump, therefore, and we will have the forensic examination of this Government's record and policies in the next few months.

8.37 pm

Mr. Mark Hoban (Fareham) (Con): People will be surprised that when debating a Bill of such importance to the future of the banking system, our proceedings start to wind up at 25 minutes to 9. It is disappointing that although plenty of Members turn up on the Government Benches to cheer nationalisation, not enough are here to talk about the important measures this Bill contains.

When the Bill was conceived, I do not think anyone would have expected its Second Reading to take place the day after the Government pumped billions of pounds into the banking system by taking equity stakes in three banks. What happened yesterday does not lessen the need for the Bill, nor should we think the bail-out package and the Bill are enough in themselves to restore long-term stability to financial markets. Other structural changes are needed, and I will turn to them later.

The Bill presents both an opportunity and a threat. It presents an opportunity to strengthen confidence in the UK as a place for banks, their customers and investors to do business, in the knowledge that there is a proper framework for dealing with failure so that deals do not need to be cobbled together overnight, and that the right measures are in place to help the financial services sector emerge from this crisis wiser and stronger. The threat comes from the need to ensure that sufficient safeguards are in place to reassure people that the far-reaching powers in the Bill are the last resort and not an easy substitute for effective regulation. Without proper safeguards in place, we could have a situation where the cost of capital to banks increases and that increase is passed on to their customers. There are concerns that some of the Bill's clauses—particularly clauses 42 and 43—create such uncertainty about straightforward matters such as netting off transactions that they could add to the costs of doing business in London.

The Bill grants powers to the tripartite authorities to intervene to save a bank with actions ranging from partial transfer of its operations to another bank to nationalisation, but the safeguards governing the use of those powers will be contained in a code of practice that is yet to be published in draft form. Until the code of practice and the regulations are published, banks and others will be anxious that the powers will undermine the legal framework our financial services sector depends upon, and legal uncertainty brings risks and costs.

I am grateful to the Minister and the Chancellor for reiterating their commitment to ensuring that the code of practice is published before we debate the relevant clauses in Committee. That is welcome not just in the House but outside. We will co-operate with the Government to get the Bill through, but we need to ensure that it strikes the right balance by tackling failure quickly and effectively without putting the wider interests of the economy at risk.

Before I make some broad points about the Bill, I shall reflect on the themes that have emerged in this evening's speeches. My right hon. and learned Friend the Member for Rushcliffe (Mr. Clarke), my hon. Friends the Members for Sevenoaks (Mr. Fallon) and for Stratford-on-Avon (Mr. Maples), my right hon. Friend the Member for Wokingham (Mr. Redwood), the hon. Member for Croydon, Central (Mr. Pelling) and my hon. Friends the Members for Henley (John Howell) and for Broxbourne (Mr. Walker) all made important speeches about the fate of the banking sector.

From the Labour Benches, the right hon. Member for West Dunbartonshire (John McFall), the Chairman of the Treasury Committee, outlined some of his concerns following its inquiry into the draft legislation. The Committee has produced two powerful reports, which will help to inform the Committee stage. The hon. Members for South Derbyshire (Mr. Todd) and for Edinburgh, North and Leith (Mark Lazarowicz) spoke about their concerns, and the latter particularly reflected

on the impact on his constituents of the changes to the ownership of Scottish banks.

The right hon. Member for Holborn and St. Pancras (Frank Dobson) gave a virtuoso performance, which made those of us who were not in the House in the early '90s think about the sort of speeches that we might have been able to hear as daily occurrences rather than on a special occasion such as tonight. I wonder how he must have coped in the Cabinet when the then Prime Minister Tony Blair and his colleagues willingly embraced big business, and how he must have held his nose when talking about some of the reforms that contributed to the problems that caused the crisis in today's banking sector.

Some themes emerged clearly from the debate, one of which was the need for prompt payment from the Financial Services Compensation Scheme to reassure bank customers. It is unfortunate that the Government were unable to bring forward legislation relating to the scheme earlier, because that would have given consumers more confidence. Another theme has been the need to avoid similar crises in future through further reforms to the regulatory system. The Bill is quite narrow, and more work is needed to put in place the right institutional mechanism and arrangements to prevent the recurrence of asset price bubbles in future.

A number of my right hon. and hon. Friends expressed concern about the reforms to the financial regulation system introduced in 1997 by the Labour Government's then Chancellor, now the Prime Minister. There is a sense that to avoid future crises, we need to strengthen the role of the Bank of England in the regulatory system. We have particular ideas about that, and I shall touch on them later. Several hon. Members highlighted the challenge that arises when the Bank of England focuses on controlling inflation through interest rates. What mechanism can it use to try to control asset price inflation? I shall refer later to a mechanism that should provide a new weapon in the armoury to ensure that there are controls over asset prices in future.

Several Members mentioned the long gestation period of the Bill. It was in January that the first consultation took place, and there was a further round of consultation in July. The Bill was published and received its First Reading last week. One almost senses from some people that the need for the Bill popped out only last summer with the problems of Northern Rock. The reality is that prior to that both the Governor of the Bank of England and the then chairman of the FSA, Sir Callum McCarthy, said that there needed to be a proper review of the arrangements in the UK for dealing with bank failure, so the issue is not just a recent one. It should have been on the Government's agenda for some time, and it is disappointing that it has taken so long to get to this Bill. Of course, we do not intend to impede its progress, and we want to ensure that it is on the statute book when the Banking (Special Provisions) Act 2008 expires in February next year.

We need to scrutinise some areas of the Bill further, because they remain unclear, and not only because we await draft regulations or the code of practice. For example, the Public Bill Committee will need properly to address issues associated with the Financial Services Compensation Scheme. Conservative Members believe that the scheme should not be pre-funded. The Bill gives the power to set up a pre-funded scheme, but we believe that setting up such a scheme is against the interests of consumers and the financial services sector as a whole. We also need to address issues associated with how customers should be covered. Will they be covered for £50,000 per brand or per bank? The FSA is consulting on those issues, but it is important that hon. Members have the opportunity to debate them in Committee.

The Bill refers to the need to pay depositors as soon as possible and, again, the FSA is consulting on how that might be brought about. Hon. Members should debate that issue during the passage of this Bill. We also need to work out how we balance the need for depositors to be paid promptly, within seven days of a bank's being taken into the special resolution regime, and the need to mitigate the losses that could be faced by other types of creditor, including those who provide debt and other forms of capital to the bank—obviously, that capital is then lent on to businesses and households. We need to resolve that tension.

The Bill is about just one element of the changes we need to put in place to restore the stability of the financial sector and the economy as a whole. The Bill focuses primarily on how to deal with a failing bank. It also legislates for the changes that strengthen the Bank of England's governance and establishes the financial stability committee. One or two hon. Members, including the hon. Member for South Derbyshire, discussed the Treasury Committee's findings in that area, which were critical of the arrangements in the Bill. I am sure that if he gets his wish and serves on the Public Bill Committee, he and others will wish to debate that fully.

The Bill could have been the means to put long-term reforms in place. For example, the Conservatives believe that it is vital to strengthen the independence of the Bank of England, and we want the Governor and the members of the Monetary Policy Committee to be appointed for a longer single term, rather than for up to two terms. Such an approach would put beyond doubt any prospect that reappointment could influence the decisions of MPC members or the Governor and his deputies. We think that it is important to strengthen, rather than weaken, the independence of the Bank of England. Unlike the Liberal Democrats, we are not going to ditch the independence of the Bank when the going gets tough.

The Conservatives believe that the Bank of England's role in regulation could be strengthened too. That issue has been discussed by my hon. and right hon. Friends. When the Prime Minister broke the link between the Bank of England and the supervision of individual banks, he created a system that focused on the risks to individual banks and not on the risk to the market. By breaking that link, debt was allowed to grow uncontrollably across the system, and we are paying the price for that today. To avoid repeating that mistake again, we believe that the Bank should write an open letter to the FSA, setting out its understanding of market risks and requiring the FSA to respond. Through that process we would establish a mechanism that would lead to banks increasing their capital to protect themselves from the risk of default. That is a way of trying to regulate the debt that is in the market and, thus, to control asset price inflation. The Prime Minister himself recognised the importance of these measures when he spoke yesterday. He said:

[Mr. Mark Hoban]

"In future regulatory systems there will be both greater attention to issues of solvency and liquidity and probably a pro-cyclical attitude where in a period of growth you have got to lay aside more for the possibility that there will be contractions".

Some of us might call that fixing the roof when the sun is shining, and it is a far cry from the Prime Minister's mantra of no return to boom and bust. He now recognises the existence of contractions, having spent 10 years trying to deny the existence of the economic cycle. Reality has now caught up with the Prime Minister. Changes to the capital rules are not only a matter for UK regulation: the rules in Basel II should be altered to reflect that priority.

There are changes too that we need to make to the FSA to strengthen it, so that it can be more effective in the regulation of the financial services sector, including improving the mix and experience of staff so that the regulator is able to challenge regulated businesses more effectively to avoid some of the problems of its supervision of Northern Rock. As my hon. Friend the Member for Sevenoaks pointed out, given the increased availability of more sophisticated financial products in the retail market and the increase in opportunities for people to borrow, we need to improve the financial education of people in this country so that they have a greater appreciation of the risks of financial products and can plan for their own financial circumstances with greater confidence. That would help to avoid the present situation in which, at a moment of economic uncertainty, the UK has £1.4 trillion of personal debt.

The Bill cannot be seen in isolation. It must be seen as part of a wider plan to restore confidence in financial markets and in the wider economy. There must be other reforms to strengthen the regulatory system to prevent problems from arising in the future. The Prime Minister put in place a framework that helped to create the age of irresponsibility—it allowed debt to grow to an unsustainable level and taxpayers are paying the price for that today. We need to reform that framework if we are to return to the financial stability this country needs. This Bill addresses how to deal with the failure of a bank, but we need a regime that prevents that failure from happening. If we are to avoid asking taxpayers to pay for future problems, then this Bill is only the start of rebuilding confidence in the financial system and not the final word.

8.52 pm

The Economic Secretary to the Treasury (Ian Pearson): I welcome the strong cross-party support for the Bill and I look forward to future stages, during which Members will have the opportunity to examine its provisions more closely and to improve it. I will try to reply fully to the key points made in the debate, but I hope that hon. Members who have contributed—12 Back Benchers in all—will not be disappointed if I cannot mention all their names.

These are challenging times for financial markets and economies across the world. The Bill is one important part of a package of action and reform to improve the UK's system for ensuring financial stability and protecting depositors. Over the past year, the Government have been working with the Bank of England and the Financial Services Authority to tackle these issues in the UK and also at international level.

As the House is aware, the Government have stepped in on several occasions to protect the stability of the UK's financial system—in the cases of Northern Rock and Bradford & Bingley—using the powers provided by the Banking (Special Provisions) Act 2008, but that legislation was only ever designed to be temporary, and the need for long-term arrangements to ensure financial stability and protection for depositors in the UK is clear. I am glad that it is widely supported.

The Bill is a central part of the Government's package to strengthen the UK's framework in this sphere. The decisive and comprehensive action that we have taken to improve the capitalisation and liquidity of UK banks, on which the Chancellor has made recent statements to the House, is another fundamental element of the package.

I want to emphasise that the Bill is the result of a comprehensive process of consultation, including three consultation documents issued jointly by the Treasury, the Bank and the FSA. We have consulted extensively with key industry players and experts and, of course, we have had valuable input from the Treasury Committee.

One of the criticisms from the Opposition has been that we have not moved quickly enough. People in the industry, however, might say that we were moving too quickly. However, as I understand it, there is an urgent requirement to get legislation on the statute book by the time the temporary provisions in the Banking (Special Provisions) Act 2008 expire.

The Bill provides a permanent addition to the UK framework for financial stability and depositor protection, and the arrangements will provide the UK authorities with a refined and proportionate set of tools to deal with difficulties in the banking sector that can affect depositors and the wider economy. I accept that it is vital to get these proposals right, ensuring that the UK's framework is sufficiently robust to deal with the future as well as with current challenges. I believe the Bill provides the right framework and range of powers to ensure that, but it can no doubt be improved by debate in Committee.

Mr. William Cash (Stone) (Con): Will the Minister give way?

Ian Pearson: I am quite happy to give way to the hon. Gentleman, although he has not played any part in today's debate.

Mr. Cash: It is very kind of the Minister to give way. In fact, I have just returned from Brussels in the past hour. As the Chancellor will know, a stream of European proposals are being made, which we have just heard about from our people in Brussels, to do with capital requirements, credit ratings and accountancy standards. Will the Minister ensure that whatever comes out of the proposals as they emerge will be considered seriously in the Bill? In the case of part 7, which affects the governance of the FSA and the Bank of England, will he ensure that the issues are properly considered and are not guillotined or subject to knives?

Ian Pearson: We will always consider proposals from the European Commission and the European Parliament in the appropriate manner.

Mr. Pelling: Will the Government be cognisant of the fact that however valuable European co-operation has been during this financial crisis, there are also important national interests in terms of any changes to regulation that could compromise the primacy of the City of London in the European financial markets?

Ian Pearson: Yes.

A number of right hon. and hon. Members contributed to the debate. Let me respond directly to a number of the comments that they made. First, I want to address some of the comments made by the right hon. and learned Member for Rushcliffe (Mr. Clarke), the hon. Member for Stratford-on-Avon (Mr. Maples) and my right hon. Friend the Member for Holborn and St. Pancras (Frank Dobson). In their own ways, they all made eloquent contributions—thrashing around, seeking to blame people.

The right hon. and learned Member for Rushcliffe blamed pretty much everyone, but I thank him for his support for the proposals to give the Bank of England a statutory responsibility for financial stability.

My right hon. Friend the Member for Holborn and St. Pancras gave a tongue-lashing to bankers, auditors, credit rating agencies and quite a few other people besides. On his points about credit rating agencies, we support the principles behind the proposed EU registration scheme. We will look to Adair Turner for advice on the regulation of credit rating agencies in the future.

Mr. Kenneth Clarke: I realise that the Minister is new to his portfolio, and I myself have been new to very difficult portfolios at difficult times so I am not certain that I will get a reply to my question. However, I asked about the arm's length arrangement for managing the Government's shareholding in the banks that are to be partially nationalised. What can be said to give some substance to the Government's assurances that there will not be a politicisation of lending policies and other things? Surely it must be possible for someone to let him and us know exactly how that is to be handled. There is a real fear that there will quite strong political input into the rationalisation of the banks, lending policies and so on. So far, that question has not been answered at all.

Ian Pearson: I might be only 10 days into the job, but I can certainly answer the right hon. and learned Gentleman's question. The Government have no intention of politicising the lending or other decisions of the banks that have been nationalised or part nationalised. My right hon. Friend the Chancellor will make our position very clear—indeed, I think that in his earlier contribution he made the basis on which we are seeking to set up that arm's length body very clear when he referred to the Shareholder Executive and the similar circumstances in other nationalised industries.

The hon. Member for Stratford-on-Avon raised an important point about lending. That has been clarified already by my right hon. Friend the Chancellor, but the hon. Gentleman was concerned that there might be a danger of lending returning to the imprudent levels of 2007. I assure him that that will not happen. As I have said, banks that use the recapitalisation scheme will be managed on a fully commercial basis by an arm's length body, but it is important to recognise that there will also be conditionality. Over the next three years, those banks will have to maintain the availability and active marketing of competitively priced lending to homeowners at 2007 levels.

It is important that banks lend responsibly and meet their legal and regulatory obligations. We must not see a return to irresponsible lending practices, but it is right that we insist, as a result of our investment, that competitive mortgages are available in the market. We must also ensure that banks lend responsibly to small businesses.

Recent events are affecting many countries across the world, regardless of their regulatory frameworks. That point was sometimes missed in the contributions made to the debate. This has been, and still is, a world financial crisis: I am sure that we will look to learn the lessons from it, and some of the lessons learned from previous episodes have been incorporated in the Bill.

The FSA has recognised that there were regulatory failings in the case of Northern Rock, and that is why it is implementing an enhanced programme of supervision. As the Chancellor made clear in his remarks opening this debate, the FSA is also conducting reviews of other aspects of regulation, including remuneration. We will look to its findings in due course.

The Government believe that the structure of current arrangements and the allocation of responsibilities within the tripartite system remain fundamentally right, and I note that that view was endorsed by the Treasury Committee. Recent developments have not changed the basic view that it makes sense to provide for a single, integrated regulator covering financial services.

We must remember that, before the FSA was created, there was a dog's breakfast of regulators. One large financial services group would have to deal with any number of different regulators. I worked for a small company that was regulated by the Investment Management Regulatory Organisation, the Life Assurance and Unit Trust Regulatory Organisation and the Financial Intermediaries, Managers and Brokers Regulatory Association. I do not think that that was satisfactory. The overall structure of the present regulatory framework is the right one, but there is no doubt that it can be improved and that lessons can be learned.

Stewart Hosie: If the tripartite structure is fundamentally right—we know that it has failed—and if the Government's intention is to maintain the 2007 small and medium enterprise and mortgage lending levels, what guarantee do we have that next year there will not be the same over-exposure to the wholesale market, which has been the cause of some of the problems in the banks that have failed?

Ian Pearson: As I said, these are unprecedented events. Lessons are being learned right across the world about international regulation and the operation of domestic regulatory regimes. It does not make sense to go back to a situation in which regulation of the banking system is separate from regulation of insurance services, for instance. In today's modern capital markets, it is right that there is a single regulatory structure.

The shadow Chancellor made reference to Equitable Life. Although he is not in his place, and indeed this is not in the Bill, I want to respond by saying that, as the House will be aware, the parliamentary ombudsman

[Ian Pearson]

published a long and complex report in the summer. We are considering her report carefully and we will give our response to the House later this autumn.

Mr. Redwood: I wonder whether the Economic Secretary can answer one of my questions. Should any limit be placed on how much money can be placed at risk on behalf of the taxpayer under these powers?

Ian Pearson: Yes, as my right hon. Friend the Chancellor has said clearly, we will do whatever it takes to bring stability to the banking system. The fact that we have taken this integrated package of actions and reforms has been widely welcomed by the financial community. It is a programme that is being adopted by other countries in Europe and, indeed, partly in the United States, depending on their own circumstances. We believe that it is the right path to take.

Let me turn to the special resolution regime, which has been the subject of much of the debate. It will replace the temporary powers taken in the Banking (Special Provisions) Act 2008. When a bank gets into difficulties, they can be resolved through normal regulatory interventions or voluntary action. However, as we have seen recently, bank failures will sometimes occur and they can damage confidence, disrupt financial markets, harm depositors and generate significant costs to business and the economy as a whole. The objectives of the SRR include protecting and enhancing financial stability and confidence in the banking system, protecting depositors and protecting public funds.

The SRR provides the authorities with a range of tools to meet those objectives, including the transfer of a bank or its business to a private sector purchaser, to a bridge bank—which I know was welcomed by the hon. Member for Dundee, East (Stewart Hosie)—and temporary public ownership. Further, a new bank administration procedure is to be put in place to support partial transfers of a bank's business. The Bill also creates a new insolvency process for banks that can be used where appropriate to enable prompt FSCS payments to eligible depositors and also provides for the winding-up of the bank's affairs.

By setting out a clear and credible statutory resolution regime to address failing banks, which removes control from the bank's management, the Bill provides a strong incentive for banks and their directors to take action to prevent their businesses from getting into difficulties.

We can debate in Committee in greater detail some of the issues raised such as the trigger mechanism and the role of the Bank of England, but I note what the shadow Chancellor has said—that although he is raising concerns, he does not want to resist the overall thrust of the Government's conclusions.

Mr. Graham Stuart (Beverley and Holderness) (Con): I failed to follow the rationale for the Government's decision not to count as national debt the bank debts that they are taking on to their books. Perhaps he could explain that, for the benefit of the House.

Ian Pearson: If the hon. Gentleman is fortunate enough to serve on the Public Bill Committee, I am sure he will find that we can get into the details of the issue then.

A number of hon. Members raised the issue of partial transfers. The Government listened to many of the representations that have been made on this matter. I refer hon. Members to clauses 43, 55 and 42, which provide safeguards. I emphasise again that we recognise the importance that market participants attach to those safeguards. That is why I have announced the creation of an expert liaison group to ensure that all available industry expertise is brought on board.

In recognition of the views of industry and the Opposition, it has been agreed in principle by the usual channels that we will make sure that we consider the special resolution regime later on in our deliberations on the Bill, including in Committee. That should allow sufficient time to ensure that a draft code on part 1 is available. It will also enable us to be clear about the general principles behind some of the secondary legislation associated with clauses in parts 1 to 3 of the Bill.

We are taking action to strengthen the authorities' institutional arrangements, primarily through announcing the Bank of England's role in respect of financial stability. The Bank will have a new statutory objective relating to financial stability, and I note that that was welcomed by a number of right hon. and hon. Members. Again, we can discuss the detail in due course.

Mr. Todd: Will my hon. Friend reflect carefully on the reservations that the Treasury Committee expressed about the format of the financial stability committee? That format was criticised not just by us, but by some of the witnesses from whom we heard in our inquiry. There was confusion about where precisely accountability would lie, and about the division between executive and non-executive authority.

Ian Pearson: I am sure that we can debate that issue in Committee. However, I would not like my hon. Friend to think that the Government did not give the issue extensive consideration when we came up with our proposals.

In summary, the Banking Bill will be a permanent piece of legislation that will provide a set of measures to enhance the UK's framework for financial stability, now and for the future. The Bill is a key element of enhancements to the UK framework for financial stability and depositor protection, but it is only a part of the story; the Government have also taken action in other areas. As the House will be aware, the Chancellor yesterday announced a £37 billion bank recapitalisation package. In addition, we have extended the special liquidity scheme to £200 billion, and are providing up to £250 billion in bank debt guarantees.

We are not out of the woods yet, but we have a map, and we have friends who have joined us on the path. We still face a difficult journey, but I believe that we are moving in the right direction. It is important that we get the legislation right, so that it complements the strong, decisive action that has been taken by the Chancellor and the Prime Minister. I am determined that Parliament should have adequate time extensively to scrutinise and debate the provisions. We will work with the House, and in the other place, to gain Royal Assent for this crucial legislation in a timely manner.

Question put and agreed to.

Bill accordingly read a Second time.

BANKING BILL (PROGRAMME)

Motion made, and Question put forthwith, pursuant to Standing Order No. 83A(6) (Programme motions).

That the following provisions shall apply to the Banking Bill:

Committal

1. The Bill shall be committed to a Public Bill Committee.

Proceedings in Public Bill Committee

2. Proceedings in the Public Bill Committee shall (so far as not previously concluded) be brought to a conclusion on Tuesday 18th November 2008.

3. The Public Bill Committee shall have leave to sit twice on the first day on which it meets.

Consideration and Third Reading

4. Proceedings on consideration shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the day on which those proceedings are commenced.

5. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.

6. Standing Order No. 83B (Programming committees) shall not apply to proceedings on consideration and Third Reading.

Other proceedings

7. Any other proceedings on the Bill (including any proceedings on consideration of Lords Amendments or on any further messages from the Lords) may be programmed.—*[Mr. Blizzard.]*

Question agreed to.

BANKING BILL (CARRY-OVER)

Motion made, and Question put forthwith, pursuant to Standing Order No.80A(1)(a) (Carry-over of bills).

That if, at the conclusion of this Session of Parliament, proceedings on the Banking Bill have not been completed, they shall be resumed in the next Session.—*[Mr. Blizzard.]*

Question agreed to.

BANKING BILL *[MONEY]*

Queen's recommendation having been signified—

Motion made, and Question put forthwith, pursuant to Standing Order No. 52(1)(a) (Money resolutions and ways and means resolutions in connection with bills).

That, for the purposes of any Act resulting from the Banking Bill, it is expedient to authorise-(1) the payment out of money provided by Parliament of any expenditure of the Treasury for any purpose in connection with the special resolution regime for banks and other financial institutions (including bank insolvency and bank administration),(2) the payment out of money provided by Parliament of any expenditure of the Treasury in respect of, or in connection with giving, financial assistance to or in respect of a bank or other financial institution,(3) the payment out of money provided by Parliament of any expenditure of the Treasury in respect of financial assistance to the Bank of England,(4) loans from the National Loans Fund to the Financial Services Compensation Scheme, and(5) loans from the National Loans Fund to or in respect of a bank or other financial institution.—*[Mr. Blizzard.]*

Question agreed to.

BANKING BILL *[WAYS AND MEANS]*

Motion made, and Question put forthwith, pursuant to Standing Order No. 52(1)(a) (Money resolutions and ways and means resolutions in connection with bills).

That, for the purposes of any Act resulting from the Banking Bill, it is expedient to authorise-(1) the charging of fees in connection with the recognition of inter-bank payment systems,(2) the making of provision about the fiscal consequences of the exercise of stabilisation powers under the special resolution regime,(3) the investment of sums raised in connection with the Financial Services Compensation Scheme, in the National Loans Fund,(4) other payments into the National Loans Fund, and(5) payments into the Consolidated Fund.—*[Mr. Blizzard.]*

Question agreed to.

BUSINESS OF THE HOUSE (SUPPLEMENTARY ESTIMATE AND CONSOLIDATED FUND (APPROPRIATION (NO. 3) (BILL)

Ordered,

That—

(1) at the sitting on Wednesday 15th October,

(a) notwithstanding the provisions of Standing Order No. 55 (Questions on voting of estimates, &c.), the Speaker shall put the Questions necessary to dispose of proceedings on the Motion in the name of Stephen Timms relating to a Supplementary Estimate not later than three hours after their commencement;

(b) if a Bill founded upon a Resolution agreed under paragraph (1) is then brought in, a Motion may be made without notice by a Minister of the Crown, That the Bill be now read a second time; and

(c) proceedings under this order may continue though opposed after the moment of interruption and Standing Order No. 41A (Deferred divisions) shall not apply; and

(2) at the sitting on Thursday 16th October the Speaker shall not adjourn the House until he has notified the Royal Assent to any Act agreed upon by both Houses.—*[Mr. Blizzard.]*

EUROPEAN DOCUMENTS

Motion made, and Question put forthwith, pursuant to Standing Order No. 119(9)(European Committees).

Carbon Dioxide Emissions from Cars and Light Commercial Vehicles

That this House take note of European Union Document No. 5089/08 and Addenda 1 and 2, draft Regulation setting emissions performance standards for new passenger cars as part of the Community's integrated approach to reduce carbon dioxide emissions from light-duty vehicles; endorses the Government's backing of the principle of regulation; supports an approach that takes into account environmental ambition, technical and financial feasibility, and the reality of the diverse European car market; and notes that the Government will continue to pursue a strategy that balances these factors.—*[Mr. Blizzard.]*

Question agreed to.

South Central Rail Franchise

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Blizzard.]*

Mr. Deputy Speaker (Sir Michael Lord): Order. May I ask hon. Members to leave the Chamber quickly and quietly? We need to get on with the Adjournment debate.

9.15 pm

Sir John Stanley (Tonbridge and Malling) (Con): I note that in this era of collapses, even the debate on the Government's Banking Bill has collapsed, but I am delighted to have additional time for the all-important subject of the South Central rail franchise.

I start by offering my warm congratulations to the Under-Secretary of State for Transport, the hon. Member for Gillingham (Paul Clark), on his promotion to ministerial rank. He may be wondering whether his time as a Minister will be measured in weeks, months or years, but whatever it is, I wish him well during his period in office. I am sure that as a fellow Kent Member, he will have more than a passing interest in my remarks during the debate.

The Minister may have asked himself why I sought a debate on the South Central rail franchise. The principal reason is that I recognise that the Government are rightly preoccupied with improving rail services in a north-south direction, predominantly into London. What dismays me and my constituents is that the Government appear to have lost sight almost completely of the vital importance of east-west connections from Kent, particularly down the Tonbridge to Redhill line with services through to Gatwick. I shall address most of my remarks to that issue.

I shall start by setting out the facts of demand from air travellers using Gatwick airport. I hope the Minister will not be tempted by what may be in his brief to reply that there does not appear to be very much demand for rail services from Kent through to Gatwick. If he ventures such a comment, I shall reply that the very existence of through rail services from Tonbridge down the Tonbridge-Redhill line to Gatwick is one of the best kept secrets of services available in the entire rail network. There has been a blatant and almost total lack of adequate marketing of those services on the Tonbridge to Redhill line by both Southern and South Central—an abject marketing failure. I do not believe that the present utilisation of the line in any way reflects what it might be if the line were properly marketed.

The facts relating to demand were well set out in the 2004 Brighton main line route utilisation strategy. That shows, interestingly, after demand from Gatwick airport air travellers from the Greater London area, the next highest area of demand is the county of Kent. It is the second highest source of air passenger travellers to Gatwick airport. The 2004 study shows that at that point 1.8 million people a year were travelling from Kent to Gatwick airport.

The present position was set out in an important letter from Mr. Bernard Ashley, the manager responsible for the planning and transport strategy at BAA, to the Department for Transport, dated 23 January 2008. He said:

> "In 2006, some 11% of Gatwick's passengers, that is around 3 million trips, started or ended their journey in Kent. That number will increase in line with the overall airport growth. The actual number travelling from the Tonbridge district, Ashford and the East Kent towns, for whom the Tonbridge rail link is most convenient, will obviously be lower but is still estimated to be over 1 million passengers per annum."

May I just register that with the Minister? That is the position as accurately as we know it today—a huge potential demand for travel by rail of 1 million people from Tonbridge, Ashford and east Kent wanting to use Gatwick airport.

Then we come to the future, which was set out for me in a later letter of 25 June 2008 from the chief executive of BAA, Mr. Colin Matthews. On the future level of demand at Gatwick, he said:

> "Our Airport Surface Access Strategy already incorporates a target of 40% public transport use by 2015, when the numbers using the airport are forecast to increase from 35m to close to 40m."

Therefore, at Gatwick we have absolutely clear evidence of rising demand for the use of the airport coupled with a substantial demand from people whose journeys originate in Kent.

Mr. Andrew Pelling (Croydon, Central) (Ind): I hope that it does not take the right hon. Gentleman by surprise that someone else is present supporting his concerns. I am at the other end of the line in Croydon. The development of Gatwick is important to the development of the economy in south London. With a limited service to Tonbridge from East Croydon, many residents have to travel to London to get down to Kent. Does he agree that that must emphasise the importance of taking the best advantage of those rail facilities that exist between Redhill and Tonbridge?

Sir John Stanley: I am grateful to the hon. Gentleman. He touches on an important point for a considerable number of my constituents. Large numbers travel to London, but they do not all go into central London. A number go to and from East Croydon as their point of work every day.

Against the background of that demand, not surprisingly, when those who these days are termed stakeholders—in other words those representing the rail passenger interests—came to respond to the Brighton main line utilisation survey, they made a clear recommendation, which was set out in appendix A of the survey, entitled "Stakeholder aspirations", which I thought was somewhat condescending. The recommendation states:

> "New fast service from Gatwick to Tonbridge, Ashford and the Kent coast"—

an absolutely logical and correct recommendation in the light of the self-evident scale of the demand for east-west services into Gatwick from Kent.

Against that background of rail travellers' wishes and the clear evidence of demand, one then comes to the Government's response. That response, from a Government supposedly committed to enhancing travel by public transport and reducing greenhouse gas emissions from car use, is to smash—that is not an exaggerated word—east-west rail travel between Tonbridge and other parts of Kent along the Tonbridge to Redhill line into Gatwick. I shall explain why I have used that word, advisedly, and why I believe it to be absolutely accurate.

The Government propose to take three steps, each of which, and taken together, will result in virtually nil use of the Tonbridge to Redhill rail service to Gatwick. First, the Government are ending the existing and very important through services to Gatwick from west Kent along the Tonbridge to Redhill line. Perhaps the Minister has been briefed to reply that although the through services are ending, indirect services can still be used via a change at Redhill. I do not know whether he has ever done the change at Redhill, but it is not particularly easy for passengers.

Each and every passenger makes the straight decision on every trip to or from Gatwick airport about whether to go by car or train; every impediment makes it more likely that they will go by car. As the Minister may or may not know, if a person goes from Tonbridge to Gatwick, making the change at Redhill, they have to go down the steps, along the subway and up the steps on the other side. If they are taking the family and are heavily laden, with a pushchair and everything else, that is quite an operation. Furthermore, for the disabled it is a non-starter.

Ending the through services to Gatwick is a serious move. It is being coupled with an equally disastrous decision: to replace the current half-hourly service during off-peak periods with one that takes place only once every hour. That is a fundamentally important difference in time scale. Presumably the Government are familiar with them, but extraordinarily there is no matching of Gatwick aircraft arrival and departure times with the timing of the morning and evening peaks for rail travellers. The flights come in and out all through the day. With only an hourly service, someone going to or coming from Gatwick will be certain to take a car rather than the train. I am sure that the Minister uses Gatwick regularly; I certainly do. Someone there with a maximum of 29 minutes to wait for a train might be prepared to wait. However, I am certain that virtually every passenger faced with the prospect of waiting 59 minutes would say, "No—blow the train! I'll go by car instead."

The final nail in the coffin of the through services to Gatwick is the proposed change in the franchise arrangements. That crucial change is to remove Southeastern in toto from providing services along the Tonbridge-Redhill line and to give those services exclusively to South Central Trains. That is disastrous because Southeastern provides virtually all the rail services in Kent; the Minister knows that well from his own constituency background. Southeastern can market the services and generate the demand along the Tonbridge-Redhill line. As far as South Central—Southern—is concerned, it is only a small part of its total operation. The Tonbridge-Redhill line is just a bit player as far as Southern is concerned, and it cannot access the rest of the market through to Kent. The transfer of the franchise from South-eastern to South Central is a final reason why the combination of those three factors will mean for air travellers virtually the extinction of the use of the Tonbridge-Redhill line for services to Gatwick.

As the Minister will not be surprised to know, that situation and that forecast is not just being made by me, but by every group representing rail travellers all over Kent—the local authorities and the relevant rail traveller groups. In the representations that his Department has received, the criticisms of the extinction of the use of the Tonbridge-Redhill line by those travelling by rail to Gatwick have been a universal chorus. His Department has heard it from Kent county council, Tonbridge and Malling borough council, Sevenoaks district council, Edenbridge town council, the Edenbridge and District Rail Travellers Association and from Tonbridge Line Commuters. I can tell the Minister that those last two representative organisations of rail travellers have as their honorary secretaries two extremely independent and most expert individuals, Mr. John Bigney and Mr. Lionel Shields, who provide an outstanding, expert and independent service to those organisations.

The only body that has been barely critical of the Government's proposal is, extraordinarily, the very body that is meant to speak up for rail travellers: the Government-appointed quango Passenger Focus. If there ever was an issue on which one would have expected them to make a good lion's roar for rail travellers, it would be the threatened extinction of the Tonbridge-Redhill line to Gatwick for many of passengers. In its response to the Department, what did Passenger Focus say? All it offered was this:

> "Future options to enhance or restore the East West links provided by services between Gatwick-Redhill-Tonbridge should not be overlooked."

That is all they could say—frankly, an absolutely pathetic whimper.

As far as I am concerned, that is all of a piece. As the Minister will recall, we used to have the highly effective community health councils, which the Government wrapped up and replaced with Patient Focus, which has been conspicuous in its ineffectual nature. The highly effective regional rail user consultative committees have been wrapped up and replaced by the ineffectual Passenger Focus, and now I am dismayed to see that the Government are wrapping up the consumer bodies that deal with energy and replacing them with a body called Energy Focus. If the past track record is anything to go by, that will be equally ineffectual.

Returning to the South Central franchise, there are other points that I want to put to the Minister. It is not just rail travellers to Gatwick who will lose out under the Government's proposals on the Tonbridge-Redhill line. It is a significant issue for many schoolchildren. As the Minister, with his Kent background, will know, there is no secondary school west from Tonbridge to the Surrey border. Large numbers of schoolchildren travel along that line from Kent and the Edenbridge area—indeed, some come from Surrey and even from Sussex—to the schools in Tonbridge and Tunbridge Wells. The implications of reducing off-peak services to only one hour on the Tonbridge-to-Redhill line are liable to include a significant increase in the school day for considerable numbers of schoolchildren. That is another factor that the Minister should weigh in his mind.

There is another factor that arises from the transfer of the franchise along the Tonbridge-Redhill line from South Eastern Trains to South Central. As the Minister may be aware, the Sevenoaks tunnel is one of the longest in the country. It is a Victorian tunnel and from time to time it needs to be shut for maintenance and repair. It is inconvenient when that happens, but it has happened periodically. The diversion line from the main London-Sevenoaks-Tonbridge line goes down the Redhill-Tonbridge line. Once the transfer of the franchise takes place, however, train drivers on South Eastern Trains

[Sir John Stanley]

will no longer have any familiarity with their main diversion route, the Redhill-to-Tonbridge route. I do not believe that the issue has been properly considered by the Department, but it is a serious one and, potentially, a safety issue.

I also want to make a couple of points about the other major line going through Edenbridge in my constituency, which is the Uckfield line to London. There is no doubt at all that some of the villages in my constituency that are served by stations on that line currently have an unjustifiably poor service. That is brought out well in the submission that the Edenbridge and District Rail Travellers association made in response to the Department.

For example, for those who want to commute to and from Cowden and Hever stations in my constituency, there are no trains from London in the evening rush hour between 4.33 pm and 7.08 pm. That is a gap in the evening peak of two hours and 35 minutes between those two trains. Just as bad, the last train down the Uckfield line from London, which leaves at 10.05 pm, does not stop at Cowden or Hever either. They are villages, not towns, but I assure the Minister that they are villages from which a considerable number of people commute to London each day. Most of them have to drive round the country quite unnecessarily because there is an inadequate service for those two villages.

Mr. Pelling: Can the issue also be seen from the point of view of additional traffic, which will come to Croydon? Many of the hon. Gentleman's constituents who do not have a reliable rail service will inevitably have to travel to Coulsdon or Croydon, and will therefore end up congesting the roads between his constituency and south London.

Sir John Stanley: I am coming to that very point, which is the issue of capacity on the Uckfield line. The Uckfield line suffers because insufficient stops are made by particular trains, and because it is currently experiencing serious overcrowding due to an insufficiency of trains, the reason for which I shall explain in a moment. Some people who commute every day now have to stand all the way from Edenbridge into London. That is simply not acceptable, given the distance that they are travelling and the money that they are paying for their season tickets.

The reason for such overcrowding is a serious insufficiency of diesel units. As I hope the Minister knows, the Uckfield line is one of the relatively few left in the southern region for which the previously privatised rail companies—before they were nationalised after the war—must have run out of money and were unable to electrify various bits. One of those bits is along the Uckfield line. It is therefore necessary to use diesel engines on it. I put it to the Minister that it is particularly disappointing that, despite a demonstrable shortage of diesel engines, there is no requirement in the Government's franchise document for the winner of the South Central franchise to introduce or procure more diesel units or to deal with the capacity problems. That is a serious omission.

I have referred previously to facilities for the disabled at Redhill, and I want to return to that topic tonight. On the Tonbridge-Redhill line, and at both the two Edenbridge stations, the facilities for the disabled are totally inadequate. Last year, a constituent of mine took part in paraplegic games on the continent in Europe. He came home to Edenbridge in his wheelchair, but the only way in which he was able to get out of Edenbridge station quickly was to be taken across the tracks in his wheelchair by his relatives. That is self-evidently pretty dangerous, and it is disgraceful that, in this day and age, disabled people should have to be carried across the tracks because of the inadequacy of facilities for the disabled.

I am in no doubt that, in the South Central franchise consultation document, the Government have made a very serious error of policy in emasculating the use of the Tonbridge-Redhill line as far as services into Gatwick airport are concerned. I can only urge the Minister in the strongest terms to scrap that policy and start again. As the stakeholders said in 2004—it holds good today, just as it did then—the point from which he should start is with a

"new fast service from Gatwick to Tonbridge, Ashford and the Kent coast."

9.43 pm

The Parliamentary Under-Secretary of State for Transport (Paul Clark): I congratulate the right hon. Member for Tonbridge and Malling (Sir John Stanley) on securing this debate, and on providing the House with this opportunity to discuss these important issues based on the new South Central rail franchise. I am delighted that he has had the opportunity to speak for more than the traditional amount of time. I should also like to thank him for his kind words about my appointment. I assure him that I am not thinking about days, weeks or months; rather, I am focusing on the task in hand, for however long that might take. I now want to concentrate on trying to answer some, if not all, of his questions, within the limits that constrain me in regard to the current franchise process.

Our railway service now has more people and more freight moving across the country than in the past 50 years. It is safer than before, and its reliability is much greater than before. In the command paper on a sustainable railway, which was launched in July, we committed further record levels of investment with the aim of doubling the numbers on the railways and the freight service and making them safer, as well as tackling the carbon footprint of the rail industry. That is the background, with record use of our railway system, which I am sure the right hon. Gentleman recognises as very important. In dealing with his comments, it may be helpful if I explain where we are with the franchise process and pick up on some of the issues that he raised.

The Department for Transport issued a general advertisement for the franchise in May this year and announced in August that four groups had pre-qualified to receive an invitation to tender later this year. Those groups were National Express, the operator of the East Coast, c2c and East Anglia franchises; Stagecoach, operator of South West Trains, East Midlands Trains and a significant shareholder in Virgin Trains; GoVia, the current operator, which is also the operator of Southeastern Trains and London Midland; and

NedRailways, the Dutch railway operator, which also operates Northern and Merseyrail in the consortium with Serco.

It is our intention that the formal invitation to tender will be issued in early November, with bids received in February next year. A final decision on who will be awarded the franchise will be announced in the summer of 2009. The new franchise will come into operation, as I am sure the right hon. Gentleman is aware, on 20 September 2009 and will run for five years and 10 months, with the final year dependent on the operator having achieved a number of performance targets. There will be an optional extension of an additional two years, which the Government will be able to introduce at their own discretion.

I am sure that the right hon. Gentleman is equally aware that this franchise will probably be shorter than the average franchise of seven to 10 years, but he will recognise equally that that is because of the substantial investment going on, which will benefit his constituents as well as many others among the travelling public, with the implementation of the £5.5 billion Thameslink programme to which the Government gave the go-ahead in the summer last year. The completion of that Thameslink programme in 2015 may require significant changes to the franchise map in 2015; thus a period of five years and 10 months gives the Government maximum flexibility in that regard without the need to carry out costly and time-consuming franchise termination negotiations. That, in turn, will save the taxpayer money.

I was interested to hear the right hon. Gentleman's comments about stakeholder engagement and, particularly, about Passenger Focus. He will know that extensive discussions have taken place in the build-up to the franchise consultation. The Department carried out briefing events with local authorities in January this year with the aim of gaining a broad understanding of key local issues in advance of the outline work of the franchise specification.

In May, we launched the formal consultation document, setting out the objectives for the franchise and the key issues that we were seeking to address. Consultation events were also held with stakeholders in Croydon, Worthing and Eastbourne, and 60 organisations were represented at those events. Alongside that, we have received some 156 written consultation responses. We remain grateful, of course, for the time people have taken to address those issues.

The right hon. Gentleman will be well aware that Passenger Focus has been strengthened to ensure that there is a good voice for the travelling public, whether it be for rail or bus passengers, who are dealt with in the Local Transport Bill. This is the first time that Passenger Focus has provided detailed advice to the Secretary of State about the issues that the new franchisee should be required to address. The right hon. Gentleman rightly asked for that document to be placed in the Library, and that will be done.

Sir John Stanley: If, as the Minister says, Passenger Focus is being strengthened, will he explain why the Passenger Focus response to the Secretary of State on the issue of the Tonbridge to Redhill line and services to Gatwick is so completely out of synchronisation and so completely out of touch with the unanimous criticisms of the Kent local authorities and the rail passengers' organisations involved?

Paul Clark: I am sure that the right hon. Gentleman would not wish me, or come to that the Secretary of State, to dictate to Passenger Focus what report it should present. However, I can tell the right hon. Gentleman that Passenger Focus conducted surveys of some 6,500 South Central passengers seeking their views on areas of deficiency and the improvements that they wanted to see. It is on that basis that I would assume that it has compiled a report, and the process has been invaluable in securing information from precisely the people whom I know the right hon. Gentleman represents: the potential users of the services concerned. That is what we believe Passenger Focus, among others, has done, and because the operation has been so valuable, we intend to continue the process in similar vein when it comes to future franchises.

Passenger Focus has provided Ministers with some 70 recommendations. We continue to consider them, and to consider which of the issues that it has raised can be accommodated within the specification. Our consultation document already addresses a number of the issues that Passenger Focus raises, such as later services at weekends and better access to stations. Let me say something about better access with particular reference to people with disabilities. We have committed funds via Access for All. More than 2,500 stations nationwide have been identified, but it is not possible to improve all of them at once. Of course we will keep the requirements of individual stations under review, and will take all the necessary steps through funding organisations such as Access for All.

I know that the right hon. Gentleman has received a number of submissions from his constituents about the specification for the franchise, and has raised them with my former ministerial colleagues. As I suspect he will appreciate, I cannot at this stage give the House more details of our response to the specific concerns expressed about all aspects of the issue, but I am sure he will understand that we are considering all the issues in full before making the formal announcements in November.

It should be borne in mind that the franchise specification aims to set out the minimum level of service provision that we expect bidders to offer, while the bidders decide where, for example, additional car parking spaces or ticket machines might be allocated. That is a matter to be dealt with by the operator, in conjunction with the consultation processes that are available.

Let me turn specifically to the Tonbridge and Redhill services. The right hon. Gentleman has made very clear the concerns that exist. The changes on this corridor are being made in December, before the start of the new franchise. As he will know, they are part of the implementation of the Brighton main line route utilisation strategy. The strategy is intended to improve capacity on the Brighton main line, especially in peak periods, but provides for additional services from the Redhill corridor to London, and off-peak services from Reigate, for the first time in many years. However, the implementation of the route utilisation strategy will result in the withdrawal of the hourly Tunbridge Wells to Horsham service, which the right hon. Gentleman mentioned, with its direct link to Gatwick airport, and a reduction in frequency on the Tonbridge to Redhill corridor to hourly, although some peak period through-services to Victoria will again operate for the first time

[Paul Clark]

in many years. I understand that the current operator, Southern, consulted on these plans earlier this year as part of the development of its December 2008 timetable proposition.

Sir John Stanley: At a time when, on BAA plc figures, 1 million people from Kent per year use Gatwick airport, how can it possibly be sensible for the Government to make certain that virtually every single one of those 1 million people do not use the rail service, but use the roads instead? How can that conceivably be a sensible transport policy?

Paul Clark: I was just coming on to precisely the point about the potential customers for rail services. The Gatwick services have been in existence for more than 10 years. The right hon. Gentleman said in his opening comments that the Minister would probably respond by saying services were not being used and were under-utilised. That is exactly what the position has been—the demand has been very low. Initially, those services were operating from as far afield as the Medway towns, but the retention of two trains per hour on the corridor cannot be justified on the levels of usage of the services during that period, when there are other competing pressures for an increase in operational requirements.

Mr. Pelling: Will the Minister give a little more background as to why it is that the welcome improved north-south provision on that route compromises the ability of trains to come in from the east in Kent? Is there a possibility that one of the reasons why this compromise has had to be made is the Government's previous decision to support too much capacity for the Gatwick Express, bearing in mind that that service also seems often to run far below capacity, while at the same time it compromises other services that might well draw in passengers from elsewhere to the important Gatwick stop?

Paul Clark: The hon. Gentleman will be aware that where we have an infrastructure and we are trying to achieve the best possible utilisation, there may well be consequences as a result of required changes. In such cases, one looks at the services that are being best utilised and where there is a possibility of increasing capacity. For example, increased capacity is available for the travelling public at Redhill station.

However, let me make it clear that if bidders for the franchise decide that a commercial case exists for operating the service and sufficient network capacity is available, they can implement the service and take any associated profits from it, because the Government would not stand in their way. From this December, the London services will be operated by newer class 377 Electrostar rolling stock, which we believe will enhance the attractiveness of the service, but our current intention is to require the operator to continue to monitor the use of the service—as we will, with other elements of the franchise—to ensure that off-peak services provide value for money and carry sufficient demand to justify their continuation.

Our overriding wish is to improve train services. The franchise process enables all the comments received to be considered seriously. We will take on board those that have been raised with us, including those on Uckfield, and we are asking Network Rail to look at the possibility of increasing services on that line. I thank the right hon. Gentleman for raising this subject and I look forward to further developments when we invite tenders.

Question put and agreed to.

Adjourned accordingly at one minute to Ten o'clock.

House of Commons

Wednesday 15 October 2008

The House met at half-past Eleven o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

Oral Answers to Questions

NORTHERN IRELAND

The Secretary of State was asked—

Drug-related Crime

1. **Andrew Selous** (South-West Bedfordshire) (Con): What recent assessment he has made of the effectiveness of policing in Northern Ireland in relation to drug-related crime. [225763]

The Minister of State, Northern Ireland Office (Paul Goggins): The Police Service of Northern Ireland is committed to building on recent successes in disrupting the supply of drugs in Northern Ireland by increasing the number of significant arrests and seizures and further reducing levels of drug-related crime.

Andrew Selous: Does the Minister share my concern about dissident paramilitary groups undertaking their own policing of drug issues? In particular, Declan Gallagher was apparently told by the Real IRA this month that he would be executed on sight for alleged drug offences and that the Real IRA is well armed and organised. What does the Minister have to say about that?

Paul Goggins: I join the hon. Gentleman in condemning activity of the kind that he has just described. Dissident republicans in Northern Ireland currently pose a threat, particularly to police officers. That needs to be dealt with, and it will be dealt with. There is no excuse whatsoever for any kind of parallel policing arrangements in Northern Ireland. The rule of law and order is there, and it should be seen to be followed.

Mr. Eddie McGrady (South Down) (SDLP): Although we commend the success of the PSNI in obtaining large drug hauls, does the Minister share my concern, which is common to all communities in Northern Ireland, both urban and rural, about the daily peddling of drugs in the streets by so-called small fry? Our immediate concern as a community is to get the small peddlers away from our children and our streets. Will he ask the PSNI to redirect some of its energy to picking up all the small fry, who are well known to the community?

Paul Goggins: I thank my hon. Friend for his support on that important issue. He understands that we must tackle the problem at several different levels. We need to take out the organised criminal gangs that bring in drugs and distribute them to networks in local neighbourhoods, and we need to make sure that people who peddle drugs on the street are arrested and dealt with, and that young people in particular understand the dangers and harms associated with drug misuse. In that context, I met members of the district policing partnership and the community safety partnership in Craigavon yesterday. They are working to make sure that parents and children are well informed and that there is proper enforcement of the law in relation to drugs offending. A lot of very good work is happening locally.

Sammy Wilson (East Antrim) (DUP): The Minister is right that there have been significant drug hauls in Northern Ireland, many of which have taken place in my constituency since the port of Larne began to be used to import drugs. Does he accept that, as has been said, the problem is not being dealt with at street level? The assets of those who clearly live off the proceeds of such crime are not being seized in sufficient quantities. The real way to hit criminals is to put them behind bars and take their money.

Paul Goggins: I agree with the hon. Gentleman that it is important to take assets off criminals. I disagree with his view that that is not happening, because it is happening. Our approach has been reinforced by the coming together of the Assets Recovery Agency and the Serious Organised Crime Agency, which is beginning to make a difference. We need to take assets off criminals, and we need to make sure that where there is evidence of criminality, people are brought to court and dealt with.

Chris Ruane (Vale of Clwyd) (Lab): What further progress can be made on the proceeds of crime? Where does Northern Ireland lie in the league table of confiscating criminal assets, especially from drug barons?

Paul Goggins: In Northern Ireland, we have a solid record on taking assets from criminal gangs and indeed from individual criminals. That effort has been reinforced by the coming together of the agencies, as I have described. I am committed to reporting to the Northern Ireland public on a quarterly basis how effective we have been in that particular quarter in relation to asset recovery. My hon. Friend is right: people want to see criminals being brought to book and having their assets taken from them, and they want to see those assets being put into funding front-line policing and other community services.

Mr. David Burrowes (Enfield, Southgate) (Con): Will the Minister acknowledge the continued significant problem of cannabis in Northern Ireland, where seizures of cannabis increased by 16 per cent. last year? Will he also clarify whether the PSNI will have success in implementing the Home Secretary's published policy of three strikes and out, given that the police national computer will not record the first offence when a warning is issued?

Paul Goggins: There has been considerable success in recent months in the closing down of 77 cannabis factories in Northern Ireland. Much of that cannabis was not for consumption in Northern Ireland and was for export to elsewhere. There have been 71 arrests, and cannabis worth £15 million has been seized. I am sure

that the hon. Gentleman will join me in congratulating the PSNI on its very effective work in that regard. Cannabis is, of course, being reclassified to class B, and anybody who is found in possession of cannabis in Northern Ireland will be referred to the Public Prosecution Service.

Criminal Justice and Policing

2. **Mr. Shailesh Vara** (North-West Cambridgeshire) (Con): What recent discussions he has had with the First Minister and Deputy First Minister on the devolution of responsibilities for criminal justice and policing. [225764]

4. **Mr. Andrew Mackay** (Bracknell) (Con): What recent discussions he has had with the First Minister and the Deputy First Minister on the devolution of responsibility for criminal justice and policing. [225766]

The Secretary of State for Northern Ireland (Mr. Shaun Woodward): I regularly meet the First Minister and Deputy First Minister to discuss progress on devolution. The Government's view is that devolution of policing and justice should be completed and that, in relation to those powers already involved, the Executive should meet regularly.

Mr. Vara: I thank the right hon. Gentleman for that reply. Given that the relationship between the First Minister and Deputy First Minister is rapidly deteriorating, does he believe that there is a realistic chance of a working Executive in the foreseeable future?

Mr. Woodward: Yes I do, is the short answer to that. The Executive have not met since June, and that is a serious matter for everyone who wishes devolution well in Northern Ireland. It is absolutely in the spirit of the St. Andrews agreement that there should be stable government. There are, of course, many instruments to stable government and one of them is the meeting of the Executive. It is essential that the Executive should meet to make decisions about fuel poverty and other issues; we recognise that. However, we equally recognise that the devolution of policing and justice needs to be completed in the spirit of the St. Andrews agreement. It is also our view that if good will prevails, no single issue on the table cannot be resolved by the politicians elected in Northern Ireland.

Mr. Mackay: What does the Secretary of State make of the Stormont Assembly and Executive Review Committee's vote yesterday? It has set a timetable of five weeks for the discussion on the devolution of policing and justice in the Province. Does he think that the five-week target will be met? If it is not, will he ensure that alternative action is taken so that minds are concentrated?

Mr. Woodward: The right hon. Gentleman raises an important issue in observing the decision made yesterday by politicians elected in Northern Ireland to proceed with work by the Assembly and Executive Review Committee on policing and justice. The proposal that went from the First Minister and Deputy First Minister in the summer this year to that Committee, and on which the Committee is now working, represents a significant step forward in building confidence in all communities in Northern Ireland. It is for the Committee to decide on matters of timetabling, but the progress is welcome. Whatever the arguments taking place on the timing of this issue, it demonstrates a willingness by everybody to proceed with completing devolution.

Mr. Peter Hain (Neath) (Lab): I welcome what the Secretary of State has said and endorse his determination to seek progress. I remind the House that, operationally, policing is pretty well devolved already, through the Policing Board. However, it is the unfinished business of the settlement last year and it is crucial, especially to the nationalist and republican communities, that the devolution of policing and justice should occur. The republicans signed up to an historic move to support policing and the Democratic Unionist party deserves great credit for insisting on that. However, the other side of the bargain was that devolution should take place. The whole House should fully support the Secretary of State and all those involved at Stormont in achieving that as soon as possible.

Mr. Woodward: I thank my right hon. Friend for everything that he did as Secretary of State for Northern Ireland. He played a very significant part in helping to achieve the agreement that allowed devolution to go forward in the elections last year, and his continued work through the BIIPB—British-Irish Inter-Parliamentary Body—is an extremely important part of the work of politicians in Northern Ireland and elsewhere.

This issue is a matter of relationships between those people elected in Northern Ireland. Progress has always basically been made in Northern Ireland as an article of faith and trust. It is essential that we build that faith and trust to go forward, but as I have already remarked, our view is that there is no issue on which the parties need not find resolution if they wish to.

Mark Durkan (Foyle) (SDLP): Will the Secretary of State help things by injecting a truth check with Sinn Fein that this issue was not nailed down in the St. Andrews agreement in the way that it claims? Will he further help things with a reality check to the Democratic Unionist party that devolution of justice and policing is an imperative, as a legislative assembly is not worthy of the name if it does not take responsibility for criminal law? We can achieve the best meshing of plans, budgets and policies across related services with the devolution of justice and policing. The best way for all parties to unite to confound the dangerous agenda of republican dissidents lies in securing devolution sooner rather than later.

Mr. Woodward: The hon. Gentleman makes a set of extremely telling remarks about the state of the relationships between individuals in the Assembly and the Executive. It is a matter of trust, perhaps more than truth, being established in order to go forward. However, I share his view that a substantial risk to stability in Northern Ireland is caused by the new threat of dissident groups such as the Real IRA and Continuity IRA—not PIRA as in the past—which are exploiting the political vacuum that risks being opened up by a perception that politics is failing in Northern Ireland. It is our view, and I hope that of the House, that what has been demonstrated in Northern Ireland is that politics can triumph over violence and bring peace and prosperity. It is essential that we continue to build that trust so that those who might turn to crime are prevented from doing so.

Mr. Nigel Dodds (Belfast, North) (DUP): Will the Secretary of State add his voice to those saying that it is deeply unacceptable for Sinn Fein alone to block meetings of the Executive when all the other parties want those meetings to happen and the people of Northern Ireland want decisions made for the good of everybody—in the interests not only of Unionists or nationalists but of the people of Northern Ireland—and that the blame for there being no such meetings clearly lies with Sinn Fein? Does he also agree that it is wrong to continue to assert that Unionism signed up to any kind of date for the devolution of policing and justice, which would involve people who were murdering the police a short time ago being involved in running the police? As the hon. Member for Foyle (Mark Durkan) pointed out, this matter was not agreed at St. Andrews, and Sinn Fein received no such commitment from Unionists.

Mr. Woodward: It goes without saying that it is essential that government is seen to be stable and functioning in Northern Ireland. The Executive are a tool of the institutions. It is essential to resolve the problems that have arisen, which have resulted in some decisions on the Executive agenda not being agreed, thereby preventing meetings from taking place. The hon. Gentleman will know that one of the critical issues for Sinn Fein rests on agreement about producing a date on which policing and justice will be transferred. I share his analysis of the St. Andrews agreement. However, within that agreement between the British and Irish Governments, it was perfectly clear that it was the view of both that it would be possible, within a timetable of 12 months, to complete that transfer, given confidence in the community. I remind him that we have to be very careful about allowing confidence building to be an excuse for indefinitely delaying the transfer. I know that the leader of his party is working extremely hard in expressing his view that it is an ideal, as well as a manifesto commitment, that his party completes it. However, this is about trust and working in the spirit of St. Andrews, and it remains the case that, if the politicians so choose, a way can be found to resolve the matter and for the Executive to meet.

Sir Patrick Cormack (South Staffordshire) (Con): In endorsing almost everything that the Secretary of State has said, may I ask him to talk immediately to those who have chosen not to take the seats that they could take in this House, and to tell them that if they remove their block on the Executive they are more likely to achieve what everybody wants than if they maintain it?

Mr. Woodward: I constantly have discussions with the leaders of all the political parties, with the First Minister and Deputy First Minister, and indeed with those politicians who currently take the view that it is not possible to agree an agenda for the Executive to meet. The hon. Gentleman makes a number of important observations. We have expressed to Sinn Fein our belief that the Executive should meet. I would like to put on record our thanks to the special envoy of the United States, who yesterday met the leaders of all the political parties to discuss with them the issues that are producing a deadlock in the Executive. I thank the special envoy and the President of the United States for their continued involvement in wishing to see the politicians in Northern Ireland complete devolution and ensure that government is stable.

Dr. William McCrea (South Antrim) (DUP): Surely we have left the days of threats and intimidation behind us. Now we are told that if we do not have devolution of policing and justice, the dissident IRA will threaten the people of Northern Ireland. Does the Secretary of State not remember that the main ingredient of the triple lock given by the Government allowed confidence in the community, and that the Northern Ireland Office poll acknowledged that there was not confidence in the community in the devolution of justice at this time? Surely the Executive and the Assembly should get on with the business that they have authority over, rather than looking for something else.

Mr. Woodward: The hon. Gentleman always makes a telling observation, and I understand the position that he is marking by asking his question. First, I would correct him by saying that recent polling conducted by the Northern Ireland Office, and indeed previous polling, show that in each community in Northern Ireland there is support to complete the transfer of policing and justice powers from Westminster to politicians there.

The hon. Gentleman is right to observe that the legislation contains a triple lock. It is of real concern to many nationalists that the triple lock could be used as a mechanism for indefinite delay. One of the most important things to be done, therefore, which includes his work, is to help to establish trust across the communities. His party and the people whom he represents must be as committed to completing devolution within a confidence-building framework as they ever have been, and he should express to them the view that if devolution can be completed sooner, having established that confidence, it would help to achieve greater stability in government.

Mr. Owen Paterson (North Shropshire) (Con): Northern Ireland is not exempt from the economic crisis. Unemployment rose by 45 per cent. during the past year in mid-Ulster—*[Interruption.]*

Mr. Speaker: Order. Let the hon. Gentleman be heard.

Mr. Paterson: The priorities for people outside the political bubble are the matters that affect them every day, rather than the timing of devolution of policing and justice. As the impasse is not on the principle, but on the timetable of devolution, has the right hon. Gentleman made it crystal clear that blocking the Executive is wholly unacceptable as recession looms?

Mr. Woodward: It has to be said that the Executive not meeting would be unacceptable to all those who want to see stable government, whether there is a downturn or not—or whatever description the hon. Gentleman chooses of the economic situation of the country. However, there should not be a false choice. It is not a choice between the Executive meeting or not dealing with the devolution of policing and justice. It was essential to bring the nationalist and republican community on board that the articles of faith enshrined in the principles of St. Andrews, between the two Governments, were seen as such. It remains as important today as it was this time last year that Unionism demonstrates its commitment to completing devolution, but that is not a choice with the Executive not meeting. The Executive must meet because there are decisions to be made. I hope—I welcome the hon. Gentleman's support for the

Government on this point—that we can get all parties in Northern Ireland to focus on what needs to be done, which is to address the problems of the downturn, of course, but they cannot be allowed simply to park the issue of policing and justice for another day. The work on that issue needs to continue now.

Mr. Paterson: The right hon. Gentleman mentioned St. Andrews, where the British and Irish Governments agreed that devolution should go ahead only when cross-community confidence was sufficient. As all parties in Northern Ireland bought into the current settlement, will he give the House a clear assurance that the matter should be decided locally and that, if there is still no agreement from the Executive on timing in current months, he will not introduce legislation to impose it on one section of the community?

Mr. Woodward: As I have already said, it remains the view of the Government that the parties in Northern Ireland should be able to find a resolution to these issues. Equally, it remains the case that the British and Irish Governments have not simply washed their hands of responsibility for ensuring the stability of government in Northern Ireland, as it has still yet to complete devolution, not least with the transfer of policing and justice powers. Therefore, as in other areas of Government policy, we will stand with the people of Northern Ireland. We will help the people of Northern Ireland in any way that we are asked to achieve stability in government. That means encouraging not only the Executive to meet, but the political parties to complete the policing and justice process, not least because we believe that there is now sufficient community confidence to do that, and it is the duty of politicians there to proceed and execute their responsibilities for stability.

Andrew Mackinlay (Thurrock) (Lab): Could not the Government help with confidence-building measures on security and criminal justice in Northern Ireland by releasing to the families of the victims of the Omagh bombing GCHQ's detailed records about the time lines and exactly what it did in response to the Royal Ulster Constabulary's request to track and follow people who we understand were the perpetrators of those crimes?

Mr. Woodward: My hon. Friend makes an extremely important point about the horrendous crimes that took place at Omagh 10 years ago. Despite the passage of 10 years, I am sure that everybody in the House will join me in remembering the 29 people who were murdered and the two unborn children.

My hon. Friend understandably makes remarks about intercept recordings, which "Panorama" recently threw into the light. He will know that the Prime Minister has asked Sir Peter Gibson to conduct an urgent review to consider the way in which the intercept evidence was shared and used that day. The Prime Minister has asked for that report to be brought to him as soon as possible, and he made it clear that he will report to the House as soon as is practicable.

Mr. Alistair Carmichael (Orkney and Shetland) (LD): The Secretary of State is right to identify the lack of trust between the parties as a major barrier to progress. What can he and the Government do to rebuild that trust? Does he accept that it must be rebuilt not only in Belfast but in the House? The House endorsed the St. Andrews agreement on the basis that it reflected trust between the parties and commitments that were made but are not now being honoured.

Mr. Woodward: I thank the hon. Gentleman for his support, especially in the past few months, when the Government have been working with the parties to seek resolution to the problems. He is right to refer to trust and the need to establish it, and to say that everyone in the House has a responsibility to ensure that government in Northern Ireland is successful. It is in all our interests for devolution to work. The work yesterday of the special envoy, Paula Dobriansky, and that of the American Government, the Irish Government, the British Government and the Opposition parties—I thank them for their continued support—is to try to help the parties in Northern Ireland achieve resolution. However, it is important for everyone to recognise that we all have a responsibility, and every part that we can play to help the parties develop and rebuild trust is essential at this moment.

Security

3. **Miss Anne McIntosh** (Vale of York) (Con): What recent assessment he has made of the security situation in Northern Ireland; and if he will make a statement. [225765]

The Secretary of State for Northern Ireland (Mr. Shaun Woodward): For the vast majority of people in Northern Ireland, the security situation has been transformed and there is continued and welcome progress towards normality. However, there are small, completely unrepresentative factions of dissident republicans who remain active and dangerous. While loyalist groups are making encouraging progress, they have yet to decommission their arms.

Miss McIntosh: Does the Secretary of State share my concern about the recent attacks on police officers in Northern Ireland? What assessment has he made of the danger that they face and what steps is he taking to improve the security situation in Northern Ireland?

Mr. Woodward: The House will wish to know that the security threat to police officers in Northern Ireland is higher at the moment than at any point in the past five years. The hon. Lady mentioned attacks on police officers; several have taken place, and they were marked by the cowardice as much as the criminality of those who perpetrated them. We owe a huge debt not only in Northern Ireland but throughout Great Britain to the brave men and women of the Police Service of Northern Ireland who daily put their lives on the line to protect the communities. Their welfare is of concern not only to the Chief Constable, Sir Hugh Orde, but to the Government and everybody in the House. We will make every resource available to ensure that we protect our police officers. However, it is the wish of those police officers that stability be maintained in Northern Ireland. We can support that best by completing devolution, and by the Executive meeting.

Mr. Laurence Robertson (Tewkesbury) (Con): I pay tribute to the very brave police officers who are withstanding these terrible attacks.

On 16 August, dissident republicans carried out an attack in County Fermanagh in which they used Semtex that the Deputy Chief Constable described as old Semtex. In other words, it is likely to have come from the IRA, which was supposed to have disarmed and put all its weapons beyond use. What does the Secretary of State make of the situation and what assessment has he made of the likelihood of dissident republicans getting further supplies and of IRA members joining the dissidents in carrying out such cowardly attacks?

Mr. Woodward: The hon. Gentleman again makes an extremely important set of observations about the attack that happened in the middle of August. Let me remind the House that the PSNI is and always has been aware that before decommissioning took place there was a concern that a small amount of ammunition and possibly Semtex may have been transferred. However, I would say this to the hon. Gentleman. It is important to focus on where the threat today is coming from. It is not coming from the threats of the past. The threat is not coming from PIRA; it is coming from new organisations that are, regrettably, filling the space in a political vacuum. I remind him and other hon. Members of the Independent Monitoring Commission report that was produced in September, which was categorical in saying that PIRA has completely abandoned its past and is completely committed to a political future. The organisation has been allowed to wither and the army council is effectively redundant. We should focus today on where the threat is really coming from, not on where it once was and has now gone away from.

PRIME MINISTER

The Prime Minister was asked—

Engagements

Q1. [226779] **Mr. Ronnie Campbell** (Blyth Valley) (Lab): If he will list his official engagements for Wednesday 15 October.

The Leader of the House of Commons (Ms Harriet Harman): I have been asked to reply. My right hon. Friend the Prime Minister is today at the European Council. He will make a statement to the House on his return.

Mr. Campbell: May I ask the Leader of the House, who is obviously sitting in Superman's seat, whether she will look at the small business sector? I met a Northumberland jeweller in my constituency last week who has five workers, but who is thinking about laying two or three off. Can the Government do anything for these small businesses?

Ms Harman: It is because of the importance of small businesses in our economy, particularly their importance as employers and given their impact on jobs, that we will do everything that we can to support them through what is undoubtedly a difficult time. One of the actions that we are taking is to ensure that Government and Government agencies pay their bills earlier, by cutting down the time that it takes the Government to pay from 30 days to 10 days. We want to ensure that we back small businesses up with more help through the European Investment Bank. One of the main reasons why we have been stabilising the banking system and buying shares in the banks is to ensure that they start lending again to small businesses at reasonable rates. We will do whatever it takes to back up our small business sector.

Mr. William Hague (Richmond, Yorks) (Con): On the day we discover that unemployment has risen by 164,000—the largest rise in 17 years—it is a grim day for the British economy and a time of anxiety for many families, as hon. Members, this week in all parts of the House, will acknowledge. Given that many companies have been hit by the credit problems, as the hon. Member for Blyth Valley (Mr. Campbell) just mentioned, and that if they can be given some breathing space, job losses can be reduced, will the Government now reform the insolvency laws along the lines that we have proposed?

Ms Harman: We have already changed the insolvency provisions for businesses, in the Enterprise Act in 2003; we have already taken action on that. We are very concerned about unemployment and we are not complacent at all about the situation, despite the fact that unemployment is considerably lower than it was in 1997.

There are two issues that I would like to point out to the House today. First, we are announcing £100 million extra to help those people who lose their jobs to retrain and get the skills that they need for new jobs. There are still 600,000 vacancies in the economy, and we need to help people who lose their jobs to get new ones. There will also be extra help for home owners who become unemployed. Instead of having to wait 39 weeks before they can get help to pay their mortgage, there will be help for them to pay their mortgage 13 weeks after they become unemployed.

Mr. Hague: Will the right hon. and learned Lady acknowledge that statements about 1997 might now be complacent, given the forecast from Capital Economics this morning? It states:

"We now expect unemployment to rise to 3 million by the end of 2010, exceeding the rise in the early 1990s".

Will she also acknowledge that the £100 million programme announced by the Government this morning will be spread over three years, at £33 million a year? That will amount to £18 a year for each unemployed person. Will she also acknowledge that that money has already been allocated to the skills budget and has already been announced? Would it not therefore be a good idea to adopt our proposal, which the Federation of Small Businesses says

"should save thousands of jobs from going under"?

Ms Harman: As I have said, we have already made the changes to the insolvency provisions, in the 2003 Enterprise Act. We are not complacent about the situation in the economy. We have made no bones about the fact that our economy is facing hard times, but the right hon. Gentleman should not write our economy off. Our economy is made of sterner stuff, and the Chancellor and the Prime Minister have said that we will take every action we can, not only to stabilise our economy nationally but to work internationally with other Governments to stabilise the global system. That is why the Prime Minister is not here today.

Mr. Hague: We understand why the Prime Minister is not here today. I am glad that the right hon. and learned Lady is not complacent, because she wrote in her blog in February that

"people know that there is global financial turbulence but are not worried about their own prospects in 2008".

Perhaps she will now acknowledge that that is no longer the situation. If she will not adopt our proposed measures on insolvency, may I ask her about another group of people who have been hit by the economic crisis in recent days? They are the people who have retired from their jobs. One such group is the pensioners who are forced to buy an annuity on reaching retirement or on reaching the age of 75. They will be locked into a lower income for the rest of their lives. Last week, we proposed suspending the rule on this, and Ministers said that they were looking at the proposal. Will the right hon. and learned Lady now cut through the delay, announce a decision by the Government and tell us that the Government will suspend that rule in order to help the incomes of thousands of pensioners into the future?

Ms Harman: The right hon. Gentleman mentioned the blog that I wrote earlier this year. While it is true that the global seeds of this problem—the increase in oil and food prices, as well as financial instability—have been coming over a period of time, the impact on family finances, businesses and jobs has been sudden, not only in this country but around the world.

The right hon. Gentleman mentioned pensioners. Yes, we are concerned about pensioners, who particularly feel the effect of the fuel increases. That is why we have increased the winter fuel payment. It is important to consider the question of the impact on people—albeit a small number of people—who have to buy their annuities within a certain period of time. I know that this is something that the Treasury is aware of, and I know that the Department for Work and Pensions is talking to the Treasury about the issue. But the most important thing is that we stabilise the markets so that shares can continue to be steady and their value can grow.

Mr. Hague: I am glad that the right hon. and learned Lady acknowledges the importance of the issue about pensions. However, it is all very well being concerned about it and looking at it. Have not the events of recent times shown that swiftness in decision making is at a premium? Will she therefore undertake to go back to her colleagues in the Treasury this afternoon? Since this matter was at the top of our concerns, as she herself said only last Thursday, and since many pensioners are worried about it, will she sort it out today with her colleagues, so that they can come back to the House this week to tell us that that rule has been suspended?

Ms Harman: I do not think that the Prime Minister or my colleagues in the Treasury need any advice from me on that point; nor do I think that they need any from the right hon. Gentleman. He can rest assured that they will act not only swiftly, but sure-footedly. There is a serious situation across the board—whether it be in respect of jobs, small businesses, the housing market, charities or local government—and we are determined to take the action that is necessary, not only nationally, but internationally, to see this country through.

Mr. Hague: We look forward to the action—*[Interruption]*—instead of concern and talking, which is all we have had so far at today's Question Time. Small businesses and pensioners are two of the casualties of an economy built on debt, so what exactly do the Government mean when they say that they are insisting that institutions which are being bailed out will maintain borrowing at 2007 levels—the year at the height of the boom that has turned to bust? Is that not irresponsible? Why did Baroness Vadera of the other place say that there was

"no requirement for banks to lend forcibly",

while the Chancellor was saying that lending would be maintained "at 2007 levels"? Who is speaking for the Government and what are their policies on the lending of those banks?

Ms Harman: Let me explain to the right hon. Gentleman and the House. Having ensured that money goes in via the Bank of England so that extra liquidity is available, having ensured that loans are made available on a guaranteed basis at commercial rates and having made provision for buying shares, we want to make sure that, after this Government's actions, instead of the banks just sitting on the capital, they actually lend it to small businesses and home owners. What would be the point of Government action if it did not make a difference to the people who are feeling the pressure of the global credit crunch? What has been written into the agreement with the banks in which we have taken shares is that they should, at reasonable rates, re-establish credit lines to the housing market and to small businesses. When it comes to Government debt, which the right hon. Gentleman also mentioned, I do not regret and we do not resile for one minute the investment in our schools and the public investment in our hospitals.

Over the last 11 years, during which we were investing in hospitals and schools, we were also paying off Government debt. In 1997, public debt as a share of GDP was 43 per cent. and we reduced it to 37 per cent. We are now in a position to allow Government debt to rise in order to back up the economy in the way that is necessary. On Monday, the right hon. Gentleman's party backed the measures we took to help to get the financial services working properly. It is a shame that he does not back the means to achieving that end.

Mr. Hague: Of course we backed those measures, but the Government are no longer in a position to boast about their economic record when taxes have risen by more than £5,000 for every family in the country since 1997, when the World Economic Forum says that 104 other countries are better prepared than us for the economic downturn, when debt has risen remorselessly, when unemployment is rising at the fastest rate for 17 years and when inflation has trebled since 1997. Against that background, is it not time to acknowledge that the claim to have abolished boom and bust was one of the most foolish, one of the most hubristic and one of the most irresponsible claims ever made by a British Prime Minister?

Ms Harman: I think that this is a serious moment for the economy and that it requires action from the Government, but the right hon. Gentleman should not write Britain off or compare us unfavourably with other countries. The Prime Minister will take action to protect this economy, and he will also work with the other European countries to ensure that international action is taken. It could possibly be said that, in that respect, he is a man with a plan.

Mr. Tom Harris (Glasgow, South) (Lab): Fifty-five thousand members of RAF Bomber Command lost their lives in world war two, yet today there is still no national memorial paying tribute to the sacrifice made by those brave men and women in defence of our nation. Will my right hon. and learned Friend join me in supporting the RAF Bomber Command memorial fund as it seeks to raise £2.5 million for such a memorial, and will she ensure that the Ministry of Defence consults the memorial fund properly before finally deciding on a location?

Ms Harman: I can give my hon. Friend the assurance that I will see that the Ministry of Defence thinks very carefully about that request, and looks favourably on it. We must ensure that we recognise and continue to pay tribute to those who, like the 55,000 whom he mentioned, have paid with their lives for this country.

Dr. Vincent Cable (Twickenham) (LD): How really prepared are the Government to deal with the hundreds of thousands of people who are now losing their jobs, given that they have just completed a massive cut in the staff of benefit offices and jobcentres? While the two measures that the right hon. and learned Lady has announced today are very welcome, can she give us an absolute assurance that people approaching those services in search of financial help and emergency loans—which does not mean waiting for 13 weeks—will be dealt with promptly, efficiently and sympathetically, as the bankers were this week in their hour of need?

Ms Harman: The hon. Gentleman is absolutely right. The action taken in respect of the banks was taken not just for the sake of the bankers, although the financial services industry is a large and important employer, but so that we could get credit flowing back into small businesses and the housing market.

The hon. Gentleman asked an important question about the services and support that will be given to people—not just talked about—when they face the awful prospect of being without jobs. I would say that there are improved and increased services for each individual from the Department for Work and Pensions, not just as a result of the important work of Jobcentre Plus, but in the private and voluntary organisations that work alongside people who have lost their jobs to ensure that those people have the skills and the confidence to obtain their next jobs.

We are not complacent about today's job figures, which are definitely very concerning, but there are still 600,000 vacancies in the economy.

Dr. Cable: I welcome those latter comments, but I sense that the Minister does not realise that there is a very real emergency. Given that there is that very real emergency, why do the Government—and also the Conservatives—insist on this absurd monastic vow of silence that means never even talking about interest rates? There are millions of people out there worrying about their homes and their businesses, and clamouring for a deep cut in interest rates to prevent this recession from turning into a deep slump.

Ms Harman: I do not accept the hon. Gentleman's assertion about the Government's unpreparedness. The Government worked for a number of weeks to ensure that we could take action to stabilise the banking system, and that is what was announced to the House on Monday. The purpose was to ensure that money was lent to small businesses so that they could continue to flourish and play the part that they play in the economy, and continue to employ people.

I do not really know what the hon. Gentleman is talking about in relation to interest rates. There was an interest rate cut last week, and it was co-ordinated with other central banks across Europe and in America.

Q2. [226780] **Charlotte Atkins** (Staffordshire, Moorlands) (Lab): Many of my constituents are very grateful for the decisive action taken by the United Kingdom Government following the collapse of the Icelandic banks, but what will the Government do for the charities that have funds in Icelandic banks? Will they protect those funds? My constituents depend very much on the charities that protect the most vulnerable in our society, and need their support in these difficult times.

Ms Harman: My hon. Friend makes an important point, and I think that all hon. Members are concerned about charities and the effect on them of the collapse of the Icelandic financial services industry. Small charities will get the same protection as individuals; they will get 100 per cent. protection for their deposits. We are taking steps to protect larger charities by freezing the assets of the Icelandic banks and by lending £700 million while the unfreezing of those assets is sorted out. Treasury officials have been sent to Reykjavik to try to ensure that the situation is resolved, and the Minister for the Cabinet Office has met the leaders of the charitable sector. He has issued a written statement, and he will keep the House updated.

Mr. David Burrowes (Enfield, Southgate) (Con): Given the bail-out of depositors in Icelandic banks, will the Government now compensate Equitable Life policyholders?

Ms Harman: The action we have taken in relation to the financial services system has not just been to protect individuals, important though that is, but also to ensure that there is not a whole-scale loss of confidence in the entire banking system. We have been concerned to address not only individual loss, but systemic failure.

Q3. [226781] **Mr. Lindsay Hoyle** (Chorley) (Lab). My right hon. and learned Friend must be aware that the biggest concern among families, pensioners and businesses is how they will pay their fuel bills. I wonder what we can do, and what good offices my right hon. and learned Friend can employ, to ensure that we sit the greedy energy companies down, with their immoral profits and obscene earnings, and bring prices down to ensure that families can pay their bills this Christmas. We have taken measures for the longer term, but what can we do to help them in the short term?

Ms Harman: My hon. Friend is right that we need action not only by the Government—and we are taking that action—but by the energy companies. He is also right that increased fuel bills hit hardest those who can least afford it. We are taking action. As he knows, we have increased the winter fuel allowance for pensioners, and we have also set up a home insulation package. We expect the falling oil prices to feed through into gas and

electricity prices. While the Government will play their part, we know that the eyes of everyone in the House, as well as those of the Government, will be on the energy companies to make sure they play their part too.

Q4. [226782] **Mr. Crispin Blunt** (Reigate) (Con): Just as the Chancellor changed the regulatory framework for the banks when he came into office, which contributed to this crisis, the Government's regulatory oversight of Equitable Life has been seen as partly responsible for the circumstances that many constituents of all hon. Members find themselves in. What are the Government going to do about Equitable Life?

Ms Harman: It is quite wrong for the hon. Gentleman to say that the Government must take responsibility for a financial banking system crisis whose origins clearly were global and whose impact has also been global. On regulation of the financial industry, the hon. Gentleman might remember that there were seven regulators before we set up the Financial Services Authority, and it was very important as part of improving regulation to bring them all into that one regulatory body.

Q5. [226783] **Mr. Bill Olner** (Nuneaton) (Lab): Is my right hon. and learned Friend aware that the 2009 European interparliamentary space conference will be held in this Parliament next autumn? Will she support this unique opportunity to showcase Britain's high-growth, hi-tech space industry, and, crucially, in terms of next month's European Space Agency meeting, will she express support for the UK Government's stance on the efforts of the UK space industry to tackle the climate change agenda and the reduction of poverty in Africa?

Ms Harman: My hon. Friend makes an important point. The space industry is important. It is in the forefront of science and scientific jobs, and I wish it success with its conference—and perhaps I may express the hope that the summit will boldly go where no summit has previously gone.

Philip Davies (Shipley) (Con): Many of my constituents at Bradford & Bingley and other local businesses face a very uncertain future. Given that the Prime Minister egged on the housing bubble and the economic bubble by claiming that he had personally ended boom and bust, and given that it was his tripartite system of regulation that failed so spectacularly, will the Government take any responsibility for the economic problems that my constituents are facing?

Ms Harman: I do not accept that the economic crisis that has currently hit this country is the responsibility of the 1 million extra home owners in this country. I do not accept that for a moment. The hon. Gentleman should recognise that the economic circumstances that face this country, although they are national in their impact, are global in their origin.

Q6. [226784] **Mr. Jim Devine** (Livingston) (Lab): As my right hon. and learned Friend knows, the minimum wage rose to £5.73 on 1 October. How many people will benefit throughout the United Kingdom from that increase, which is another great achievement by this Labour Government? Is she aware that on the day of the vote on that, the Scottish National party did not turn up?

Ms Harman: I welcome my hon. Friend's drawing the attention of the House to the national minimum wage increase this month. I understand that something like 90,000 people in Scotland will see their pay go up as a result of the rise. The minimum wage is important for Northern Ireland, Scotland, Wales and the whole of England, and we have no intention of letting it wither away. When it comes to difficult economic times, those on low incomes will get help, and I think we can expect those on the highest incomes to show restraint.

Mr. Gregory Campbell (East Londonderry) (DUP): We are undoubtedly facing uncertain times right across the United Kingdom. Does my right hon. and learned Friend agree with me, my colleagues and many people in Northern Ireland that we face an additional problem? Under the devolutionary arrangement that we currently have, many Departments have packages in place that will help people through the problems that we will face over the winter and in the next year, but they are being blocked from using them because of the activities of Sinn Fein.

Ms Harman: My right hon. Friend the Secretary of State for Northern Ireland reminds me that the Executive need to meet and devolution of policing needs to take place. The Secretary of State is a member of the National Economic Council, and therefore the question of the economic impact on Northern Ireland is very much in the Government's mind.

Q7. [226785] **Clive Efford** (Eltham) (Lab): Can my right hon. and learned Friend give an assurance that the money that has been invested in the banks will not be at the expense of investment in public services? People such as pensioners, parents with children in schools, patients of the NHS and public sector workers will be concerned that the money that we have invested to rescue the country from the excesses of the masters of the universe must not come at the expense of those services. Can she give that assurance?

Ms Harman: I can give that assurance. The Prime Minister and the Chancellor have said that it is important that we carry on with crucial public investment, and the uprating of benefits and pensions will happen in the normal way.

Q8. [226786] **Mr. Richard Benyon** (Newbury) (Con): When we hear that Northern Rock has passed just one tenth of last week's interest rate cuts on to its mortgage holders, does the Leader of the House not feel that we need more assurance that the billions that have been spent on the bank bail-out will trickle down to where they are needed—small businesses that want to borrow at affordable rates and people who are worried about the roof over their head?

Ms Harman: The hon. Gentleman is right to draw attention to the whole point of this Government action. It is not for its own sake but actually for the results that it will achieve. We are determined, and indeed agreements have been entered into, that credit will start flowing again to small businesses and to the housing market, in order that we can stabilise the economy and see it through this difficult time.

Q9. [226787] **Albert Owen** (Ynys Môn) (Lab): I concur with the sentiments expressed by my hon. Friend the Member for Chorley (Mr. Hoyle) in an earlier question. With electricity prices reported to be four times higher in the United Kingdom than in France, and with the impact that that has on UK businesses and particularly on energy-intensive users, does my right hon. and learned Friend agree that one way to bring prices down is to increase capacity? The best way to do that is to extend the lives of existing generators, including safe nuclear power generators. Will she urge her Cabinet colleagues to do that, to ease the burden on British business?

Ms Harman: Obviously, we need to ease the burden on British business in the way that my hon. Friend describes, as well as to assist businesses with energy conservation and to step forward with the programme for investment in renewables.

Q10. [226788] **Adam Price** (Carmarthen, East and Dinefwr) (PC): The right hon. and learned lady had the honesty to admit during her campaign for the deputy leadership of the Labour party that the Government had made a mistake over the war in Iraq. Does she think that the public are owed a similar apology over the failures in policy and weakness in regulation that have contributed to the current economic crisis?

Ms Harman: What we owe to the people in Iraq, to the other countries alongside which our soldiers are working and to our armed forces is to work to ensure that we have stability and peace in Iraq, so that Iraq can take over its own security and policing as soon as possible and our troops can then come home.

Tom Levitt (High Peak) (Lab): Whatever outrageous fortunes the global economy may blow our way, will my right hon. and learned Friend commit herself again to this Government's aim of eradicating child poverty by 2020 and confirm that that commitment will not be violated?

Ms Harman: We remain absolutely committed to eradicating child poverty, and we hope that both sides of the House will support not only that commitment, but the measures necessary to achieve that aim.

Rape (Defences)

12.32 pm

Harry Cohen (Leyton and Wanstead) (Lab): I beg to move,

That leave be given to bring in a Bill to amend the Sexual Offences Act 2003 to prohibit the use of a defence of sleepwalking in proceedings relating to the offence of rape; and for connected purposes.

I think of this as my rape and sleepwalking Bill, because it deals with what has become a loophole in rape law. My Bill says that it shall not be a defence for a defendant accused of an offence of rape to claim that he was sleepwalking or suffering from non-insane automatism or other similar condition when the offence was alleged to have taken place.

This matter came to my attention during a Select Committee on Work and Pensions visit to Australia to obtain evidence for our excellent carers report. During the stopover at Hong Kong airport, I was reading in an Australian newspaper of an ongoing court case where the defendant, Leonard Spencer, was claiming as a defence for rape that he had been sleepwalking. I thought, no chance! To my amazement, on the journey back I saw a report in *The Australian* on 16 May that he had been acquitted on those grounds and that it was the first time in an Australian court that "sex-sleep" had succeeded as part of a defence.

The article said:

"It is not hard to imagine that more cases will come to light, as defence lawyers ask clients facing sex charges: 'Do you have any strange episodes in your sleep?'

It should be pointed out that Spencer's lawyer, Jon Tippett QC, did not ask his client any such leading questions. It was the police, curiously, in what seemed a throwaway question, who asked Spencer whether he had sleep issues.

Spencer, who was on medication for depression, replied that he did."

From then on, the sexsomnia angle was played strongly through the trial. The article continued:

"Spencer did not deny being in the woman's bed. The defence argued that he did not remember being there. A person cannot be found guilty if there is no intent involved. That's why the sleeper defence is a ripper."

I was then astonished to see not only that the defence had been used internationally—the 2005 judgment of a Canadian man, Jan Luedecke, is one sexsomniac acquittal—but that the cases of two British men were also referred to. The first was that of London man James Bilton in 2005, and the second was from 2007, when RAF mechanic Kenneth Ecott was acquitted of raping a 15-year-old girl despite admitting to having committed the act. Some experts now think that those cases have set a precedent in the law.

I sought a House of Commons Library briefing on the subject, and it brought my attention to several other cases. In 1994, Robert Burnett, a prison officer from Newcastle upon Tyne, was found not guilty of attempted rape after the court accepted that he was sleepwalking at the time. In 2006, Terry Hind, a gay race trainer—I am not sure what that is—committed a sexual assault on another man in Scotland when sleepwalking and the jury gave the verdict of "not proven", which is part of the Scottish law. In 2006, Christopher Davies initially denied and then admitted sexually assaulting a woman, but was found not guilty because he was sleepwalking at the time. In 2007, David Pooley, a former RAF corporal, was found not guilty of rape after he successfully proved that he was suffering an episode of parasomnia, which can include sleepwalking.

The law provides defences of insanity and non-insane automatism. The distinction between the two is crucial. According to English criminal law, the former requires a disease of the mind and is decided on the balance of probabilities. When it results in a not guilty criminal verdict, other powers can be invoked, such as the provisions under the Mental Health Act 2007. In the cases of non-insane automatism, the onus is on the prosecution to exclude it beyond reasonable doubt, or the result is an outright acquittal. My Library briefing says:

"English law lacks a satisfactory method of dealing with defendants who, although lacking fault, pose a potential threat to the public...The law in this area was described in 1973 as a 'quagmire' and recent cases have only made matters worse."

As I have said, automania is increasingly being used as a defence in rape cases in the UK, Canada and Australia, and defendants are being acquitted. There must now be serious doubt that the Crown Prosecution Service would bring such a case to court if it thought that that defence would be used, as it has become extremely difficult to get a conviction.

Just 6 per cent. of rape cases result in a conviction and such loopholes make a conviction even harder to obtain. That is a harsh injustice to the victims of rape and treats that serious crime as though it is of little consequence in the legal system. I think that the loophole has widened following recent cases. My briefing said:

"Automatism...is a complete defence (unless it is self-induced, for instance by voluntary taking of drugs and alcohol). In a couple of the recent cases, prior consumption of alcohol was admitted but the juries still deemed it not a factor in accepting the automatism defence."

There was one case of extreme violence back in 1991—the case of Burgess. The expert medical opinion presented evidence that sleepwalking was a mental abnormality and could deem the defendant legally insane. The judge accepted that, but the series of more recent cases to which I have referred have overridden that decision as far as rape is concerned. Rape is obviously not deemed to be serious enough. My Library briefing says that English law lacks a satisfactory method of dealing with defendants who, although lacking fault, pose a potential threat to the public, and the court will have a sentencing discretion including absolute discharge, guardianship and supervision only if a disease of the mind is established.

The law in this area is a case of political correctness gone mad. I think that it defies common sense. Sleepwalking is not a reasonable excuse for rape that should lead to acquittal. Dr. Cosmo Hallstrom, a fellow of the Royal College of Psychiatrists, has said:

"People do sleepwalk and they do strange things in their sleep, but it usually is no more complex than grinding the teeth or smacking the lips—at most they may get up and make a cup of tea. I would think it was extremely difficult to perform such a complex manoeuvre as having sexual intercourse while asleep—especially if the other person is unwilling".

Let us tackle the issue of intention. Lord Denning explained that no act is punishable if it is done involuntarily. In this context, an involuntary act—some people prefer to speak of it as automatism—means an act that is done by the muscles without any control by the mind, such as a spasm, a reflex or a compulsion. However, that does not apply to the hundreds of thousands of people up and down the country, including some of my constituents, who do not pay some of their bills unintentionally. They may not have the money or they might have lost the documents, but they do not have non-intentionality as a defence. Its main application seems to be to rape laws.

Victims in all the cases that I have referred to and which have led to the sleepwalking acquittal have told of the perpetrator being rough and violent. A rapist, whether sleepwalking or not, is a danger to the public, most often to women, and acquittal is not acceptable. It is not right that the rapist walks free. If a rape has been committed, a guilty verdict should be delivered. The judge should then decide the sentence based on consideration of the factors, but a rapist sleepwalker should be deemed a danger to women and not allowed to walk away scot-free.

I am concerned about the current legal precedent. Anybody up in court on a rape charge could get a few friends and family to claim that he sleepwalks, and he will almost certainly get off. Rape is traumatic and damaging to the victims. As well as suffering the physical assault, they also suffer emotionally, often taking on the guilt of feeling that they cannot get justice. Women often say that only after a conviction can they properly absorb the fact that the rape was not their fault. That is why the 6 per cent. rate of successful prosecutions is so appalling. There is a general feeling among women that reporting rape is a waste of time, and that the process is horrendous. There is certainly a substantial level of non-reporting. In these days of DNA testing, a successful prosecution rate of less than 6 per cent. shows a criminal justice system that is not trying.

The organisation Women Against Rape has issued a press release in support of the Bill, but it also draws attention to an even bigger loophole: the defence of belief in consent, which invariably is based on an assault on a woman victim's sexual history. I wish that I had more time to go into it, but that is a crucial loophole that causes women to come under attack again, and it needs to be closed.

The system is also very poor in dealing with the complaints process, which is very badly administered. All of that needs to be addressed properly if rape cases are to be taken seriously in this country.

Question put and agreed to.

Bill ordered to be brought in by Harry Cohen, Mrs. Linda Riordan, Ms Dari Taylor, Siobhain McDonagh, Joan Ryan and Chris McCafferty.

Rape (Defences)

Harry Cohen accordingly presented a Bill to amend the Sexual Offences Act 2003 to prohibit the use of a defence of sleepwalking in proceedings relating to the offence of rape; and for connected purposes: And the same was read the First time; and ordered to be read a Second time on Friday 17 October, and to be printed [Bill 153].

SUPPLEMENTARY ESTIMATE, 2008-09

HM Treasury

Motion made, and Question proposed,

That, for the year ending with 31st March 2009, for expenditure by HM Treasury—

(1) further resources, not exceeding £1,000, be authorised for use as set out in HC1061, and

(2) a further sum, not exceeding £42,200,000,000, be granted to Her Majesty out of the Consolidated Fund, to meet the costs as so set out.—*[Mr. Timms.]*

12. 43 pm

The Financial Secretary to the Treasury (Mr. Stephen Timms): The purpose of this motion is to provide repayment of recent advances from the Contingencies Fund, and resources for the recapitalisation programme announced in recent days. It introduces an out-of-turn supplementary estimate for Her Majesty's Treasury to allow the repayment of the £4.6 billion advanced from the Contingencies Fund on Monday 29 September relating to Bradford & Bingley, together with the £600 million advanced on Wednesday of last week relating to UK subsidiaries of Icelandic banks. It also provides for the £37 billion announced by my right hon. Friend the Chancellor on Monday of this week for bank recapitalisation.

The House knows of the current situation in the financial markets, and it knows that we have acted quickly in recent weeks to support the depositors of Bradford & Bingley, and of the two Icelandic institutions, Kaupthing Singer & Friedlander and Heritable.

Mr. Peter Bone (Wellingborough) (Con): On a small technical point, the Minister has introduced the main provision, but he has not mentioned the increase in resources. Is he sure that the increase will be enough to cover what is proposed?

Mr. Timms: Yes. As I have set out, we are doing two things under the motion: we are replenishing the Contingencies Fund, which has been used for Bradford & Bingley and the Icelandic banks, and providing the resources for the banks' recapitalisation. I will give a little more detail about that in a moment.

In the case of Bradford & Bingley and the Icelandic banks, we took action on the advice of the Bank of England and the Financial Services Authority to secure stability in the financial system. The action that we have taken demonstrates clearly the Government's commitment to doing whatever is necessary to ensure stability, while protecting consumers and safeguarding the interests of the taxpayer.

Sometimes, expenditure is so urgently required that it cannot wait for the voting of provision under the normal Supply procedure. That is why the Contingencies Fund was put in place. I hope that the House will agree that on the occasions when the Contingencies Fund has been used, it has clearly been appropriate to do so. The Contingencies Fund is limited by statute to 2 per cent. of the total amount released as cash from the Consolidated Fund in the previous year—that is, the total of all net cash requirements. On that basis, some £8.1 billion was available in the Contingencies Fund at the start of the financial year. The advances that we have drawn from

[Mr. Timms]

that fund of £4.6 billion and £600 million leave the fund at a low level, in historical terms. That does not take account of any further call that Departments might need to make on the fund, as they sometimes do.

In the normal course of events, the Treasury would present any winter supplementary estimate in the middle of November, alongside the supplementary estimates of other Departments. The passage of the related Appropriation Act would follow in December, with Royal Assent taking place in the middle of December. Only once all stages had been completed in both Houses would the advance be repaid to replenish the Contingencies Fund. This motion allows us to restore the level of the Contingencies Fund now, so that it stands ready to be used again if required.

As the House knows, over the weekend we negotiated with the banking sector a £37 billion recapitalisation package. This supplementary estimate also provides the Treasury estimate for that spending. Clearly, at £8.1 billion, even the resources of the Contingencies Fund are insufficient for that package. We are taking this opportunity to ask Parliament's approval for that spending, rather than waiting for the normal supplementary process in December, because expenditure may well need to be incurred before the middle of December, when Royal Assent would be obtained.

Finally, Her Majesty's Treasury is seeking a token £1,000 increase in resources to indicate the change to the Treasury's ambit. Elsewhere, we set out what the money can be spent on. That is perhaps the point that the hon. Member for Wellingborough (Mr. Bone) raised. It is a token amount. The remit has been expanded, as it needed to be to cover support to the financial sector of the kind that my right hon. Friend the Chancellor announced. It is normal, albeit perhaps slightly arcane, procedure to present token increases when ambits change in such a way. I commend the motion to the House.

12.48 pm

Mr. David Gauke (South-West Hertfordshire) (Con): I am grateful to the Financial Secretary to the Treasury for setting out the purposes of the motion. As he says, essentially it enables the Government to restore the money in the Contingencies Fund, following the expenditure in relation to the recapitalisation of Lloyds TSB, HBOS and the Royal Bank of Scotland, and in relation to Bradford & Bingley and the Icelandic banks.

Of course, we on the Conservative Benches support recapitalisation of the high street banks, which accounts for the majority of the funding, and we recognise the particular issues relating to the Icelandic banks and Bradford & Bingley. We have said throughout that we are keen to work on a bipartisan basis. None the less, this is a huge expenditure and it is right that we have an opportunity to scrutinise and question it.

Several of the questions that arise have not been answered as fully as they might have been, and I shall raise some of them with the Financial Secretary. I appreciate the prudence of the Government in seeking to restore the Contingencies Fund now rather than waiting until December, but it might be helpful if the House had the answers to some of our questions, so that we know where taxpayers' money will go. The sums are huge—£42 billion will double the borrowing that the Government previously proposed—and we need to know how it will be accounted for. The US had lengthy debates on these matters, although we do not want a repeat of the uncertainty that they created. In any case, we work on a different basis in the UK, but it is right for the House to have an opportunity to ask some questions.

We need further clarity on the issue of the Government's acquisition of ordinary shares. When the Chancellor made his statement on 8 October, on the banks that would qualify for the recapitalisation provided by the taxpayer, it looked as though the investment would be made through preference shares. The Chancellor set out his priorities and said that £25 billion would be used to acquire preference shares. He stressed that those would rank above ordinary shares and have better protection against future losses. It was also made clear that further capital would be made available, and I acknowledge that he recognised the possibility of the acquisition of ordinary shares. However, the Treasury memorandum made it clear that the Government will acquire £28 billion of ordinary shares in RBS, HBOS and Lloyds and £9 billion of preference shares. That is a substantial change from what was envisaged on 8 October.

On 13 October, the Chancellor explained this by saying:

"Given the scale of what is necessary...the balance"—

between ordinary and preference shares—

"has to be struck in a way that is workable...if too many preference shares were put into an organisation it would impede its ability to get through this period and recover".—[*Official Report*, 13 October 2008; Vol. 480, c. 544.]

He added that he was acting on proper advice. That is clearly a change in approach and it would be helpful to the House to hear an explanation of that change. Is it the fear that the deal will involve no dividends until the preference shares are paid off, so that would have an adverse effect on the share prices of banks? Or is it, as *The New York Times* suggested, that the banks' memorandums and articles did not allow the issuing of enough preference shares to boost the banks' capital ratios to the required levels? The Chancellor referred to proper advice, and it might be helpful if the House could see that advice. That change has put the taxpayer in a different, and arguably worse, position. I am willing to be pragmatic about this issue, but we need to know the reason for the switch.

Each bank is paying a 12 per cent. interest rate on preference shares. It has been argued in newspapers and elsewhere that the risk profiles of the three banks are different. Given the scale of the investment in RBS compared with Lloyds TSB, and the different risk profile, why was the same interest rate required?

Another change in approach seems to have occurred in relation to board representation. On 8 October the Chancellor said:

"In relation to Government nominees sitting in boardrooms, I never thought that a particularly useful course of action to follow".—[*Official Report*, 8 October 2008; Vol. 480, c. 286.]

Now we will have five members on bank boards. I do not necessarily disagree with the proposal, but it would be helpful to know why there has been a change in approach. Will it be their role to enforce the various

conditions imposed on the banks by the Government? How will those directors work, given that the Government are keen to have an arm's length relationship with the banks? Will the Government directors serve on the remuneration committees, for example? The remuneration policies of banks are causing concern, but it is a particular issue for banks that are partially nationalised. We know that cash bonuses will be curbed, but I hope that the Financial Secretary can provide greater detail on the Government's attitudes to share options for senior and not so senior bank employees.

Confusion has also arisen over lending conditions, as my right hon. Friend the Member for Richmond, Yorks (Mr. Hague) said at Prime Minister's questions. The Treasury statement on 13 October stated:

"The banks have agreed to maintain the availability of loans to homeowners and small businesses at 2007 levels."

We recognise that the purpose of the intervention is to unfreeze the lending market, but does that mean that the Government wish to maintain the same level of borrowing as in 2007? They appear to have backed down from that and now place great stress on the word "availability", but do they envisage that the partially nationalised banks should offer the same types of products as were offered in 2007? Will we see the return of 125 per cent. mortgages, for example? After all, 2007 was part of the age of irresponsibility—to coin a phrase. Do the Government really intend a return to those times? I suspect that it was merely spin, but it puts the Government in an awkward position. They are either guilty of spin or guilty of encouraging a return to irresponsibility. Which is it?

Mr. Bone: My hon. Friend is making a powerful speech, but is not the situation even worse? Term 6 of the share placing agreement talks of lending at "at least" the level of 2007, which suggests that the level should be even greater.

Mr. Gauke: I am grateful to my hon. Friend for pointing that out. It is further suggested that those levels should be maintained for three years. The Government are trying to retreat from that statement as quickly as they can, and the stress is being put on availability and marketing activity. However, greater clarification would be helpful. We welcome the unfreezing of the credit market as that would be helpful, but a return to 2007 levels would be grossly irresponsible.

Earlier today, the Leader of the House referred to trying to re-establish reasonable rates for lending to small businesses and households, but that is not how the policy was presented earlier this week. There is clearly some confusion, which brings into question whether the Government appreciate some of the lessons that they should have learned from 2007 and before.

On the treatment of home owners, the Treasury statement of 13 October said:

"As part of its investment, the Government has agreed with the banks supported by the recapitalisation scheme a range of commitments covering...support for schemes to help people struggling with mortgage payments to stay in their homes".

We recognise and appreciate that point, but we must bear in mind the case of Northern Rock, which has been nationalised for some time. From December 2007 to June 2008, the percentage of its properties in possession increased from 0.29 to 0.56 per cent. That is a substantial increase, and it is particularly striking compared with the 0.16 per cent. figure for properties in possession for mortgaged homes as a whole. Again, clarification would be helpful. Will the partly nationalised banks, and in particular their mortgage arms, take an aggressive approach to repossessions? Is it the intention that they will take a more generous approach than the market as a whole, or will they, like Northern Rock, take a more aggressive approach? Again, it would help the House if we had further details.

Earlier, I touched on the implications for the public finances of those items of expenditure, and I ask again how the Government anticipate that that expenditure will be treated. Will it be treated as borrowing, and will it be treated as part of the public sector net debt? We know that the Office for National Statistics will make a determination on that point, and it looks likely that the expenditure with regard to the high street banks will be treated in such a way. If that is the case, public sector net debt will be at around 50 per cent. of GDP, a percentage which it has not reached since 1976. Where will that leave the sustainable investment rule? We debated that matter last week in the House of Commons, and it appears that the sustainable investment rule has been blown out of the water. The Government were likely to breach the rule notwithstanding Northern Rock—if one includes Northern Rock, they are already in breach—and these particular measures. The sustainable investment rule appears to have been broken. Have the Government abandoned it? It is about time that this House knew the answer.

Have the Government made any assumptions on when the preference shares will be paid off? Have they made any assumptions on when they will be in a position to dispose of the ordinary shares? I appreciate that no precise answer can be given, but are they working on any assumptions at all? Given that we are discussing very substantial items of expenditure, how will that expenditure be accountable to this House? Will we have an opportunity to review, debate and, if necessary, vote on any progress in reducing the level of preference shares and ordinary shares? What opportunities will there be to debate particular policies pursued by banks in the light of their partial nationalisation, over and above the usual methods such as Treasury questions?

On the Icelandic banks, the supplementary estimate refers to £600 million, which relates to the payment to ING under the Transfer of Rights and Liabilities to ING Order 2008. That relates to the transfer of retail deposits of Kaupthing, Singer and Friedlander and of Heritable, as the Financial Secretary has mentioned. As far as I know—I am willing to be corrected on this point—this is the first time that this House has had sight of that figure. The Financial Secretary will correct me if I am wrong, but the figure of £600 million has certainly not been referred to very frequently. We have frequently heard about the £100 million loan—indeed, the Leader of the House referred to it earlier today—but the £600 million figure is new. If it is possible to obtain more details about what that involves and how the Government hope to get their money back—if, indeed, they hope to get their money back—we will be grateful. Equally, on the figure relating to Bradford & Bingley, more details about when and how the Government intend to get their money back would be appreciated.

[Mr. Gauke]

We all agree that the financial crisis is extraordinary. Some Labour Members, not many of whom are present in the Chamber today, view the measure as a triumph for the Prime Minister. We do not view it as such, although we have been prepared to work with the Prime Minister and the Government to address particular concerns. Finally the bills for the Brown boom have had to be paid. For years, the Prime Minister declared at every opportunity that there would be no more boom and bust. In an interview in the *Daily Mail* at the weekend, he said:

"I actually said, 'No more Tory boom and bust'".

There are a number of ways one can take that comment. I do not know whether it meant that there would be no more Tory boom and bust because instead we would have Labour boom and bust, or whether he really thinks that he said that. I cannot explain that comment.

The facts that the UK was so badly prepared for the financial crisis, that the regulatory system was unable to cope with this bust and that the public finances are woefully unprepared for this downturn suggest that maybe the Prime Minister believed throughout the 10 years when he was Chancellor that there would be no return to bust, whether it was Tory bust or any other kind of bust. That is deeply disturbing, because it means that he believed he could defeat the business cycle, which has existed for ever. The consequence of that was enormous complacency. No attempt was made to use the good years to prepare for bad years; no attempt was made to fix the roof when the sun was shining. We have been left in a terribly vulnerable position in which we are more exposed than almost any other economy in the world to a global economic downturn with inflation at three times the level of '97, with unemployment rising at a faster rate than at any time in the past 17 years and with the public finances in one of the worst positions of any particular economy in the world. No more boom and bust—if only it were so. Today, we are paying the bills.

1.9 pm

Dr. Vincent Cable (Twickenham) (LD): I realise that the narrow issue of the supplementary estimates is a peg for discussing some of the wider financing issues around it. A great attempt is being made these days to portray good news, but the idea that we are buying out the banking system for £1,000, as the Minister seemed to suggest in his introduction, stretched things a little far. None the less, there is good news as far as it goes.

This issue is important because it leads us from the complicated issues of the banking bail-out to the wider question of how that affects public finances and how the market perceives the state of public finances. At the moment, markets in Britain, the United States and elsewhere trust Government paper but not the paper of banks and other financial institutions. Perhaps that is a reflection of how we see Governments—perhaps more positively than has historically been the case. None the less, there are limits to the extent to which the markets will absorb Government paper.

Although in the current environment it is possible to float gilts at attractive terms, there will obviously be limits to that. In the spectacular case of Iceland, not only the banks, but the country—the Government—have gone bust. Its creditworthiness as a country no longer has any credibility. Of course there is a vast difference between Britain and Iceland, but equally there is a vast difference between Iceland in October and Iceland in April; its position deteriorated very rapidly, and we need to be careful that the same does not happen here. In addressing that issue, we must focus on how these vast public liabilities, of different kinds, are to be represented in terms of public presentation and the relationship to public debt.

Yesterday I read two rather obscure articles in the financial pages. They were not an attempt to talk up the drama around the public debt figure, but one of them suggested that the whole £500 billion aspect, rather than the £50 billion aspect, of the bail-out should be covered in the public debt. I do not know the statistical or financial basis for arguing that, but if the £500 billion—the contingent liabilities around underwriting inter-bank lending—were to be treated as public debt, we would be talking about 100 per cent. of GDP, not 40 or 45 per cent.

Quite independently, a separate article argued that there was a case for treating the liabilities of the Royal Bank of Scotland as public debt; that would add another staggering sum and, independently of the first point, take us up to about 100 per cent. of GDP. If we add the two together, we get up to 150 per cent. of GDP. Those are rather meaningless numbers, but somebody needs very quickly to produce a proper, accurate and transparent assessment about what the public liabilities are.

One of the lessons that we have learned—the banks certainly have—is a hatred of uncertainty, which causes panic and loss of confidence. We therefore need a completely open statement about what the various Government liabilities are, including the ones to do with public sector pension liabilities, the private finance initiative and the rest of it, which we have endlessly debated in the past. We need an open, transparent statement about the different components of the liabilities that the Government are now taking on—some are direct stakes, some are guarantees and so on—so that the markets can make their own assessment.

I do not believe for one moment that there is any imminent danger of the Government breaching their debt ratio to the extent of people calling into question the value of Government bonds, but the Government need to be careful. This is partly a presentational issue, about how we present statistics; I hope that the Government will apply themselves to that.

I have little to say on the substance of the bank bail-out; we have had plenty of opportunities to discuss it, including yesterday. However, simply because it is relevant to the specifics of the supplementary estimate, it is worth drawing attention to the fact that Bradford & Bingley shareholders are on the march. I had an altercation with one of them on the radio this morning; they clearly intend to go for litigation with the Government to find out why they have effectively been wiped out when the share prices of other banks a few days later, although badly depreciated, have had the chance to recover. I did my best to defend the Government's position but they are going to find themselves in court to offer an explanation, which will be tricky.

The other issue specifically raised by the supplementary estimates is the Icelandic banks. My hon. Friend the Member for Somerton and Frome (Mr. Heath) wishes to say something about that from councils' point of

view. I want to raise the broader policy issue. The problem arose because the Icelandic banks could be passported through the European economic area rules. I do not think that anybody saw this coming, but there is a slightly odd arrangement in which there is a claim on the host country following that of the home country. I assume that the Icelandic banks made no contribution to the British financial services compensation scheme. Some have posed the question of whether we should now seek a change in the European Union regulations to make sure that when EEA banks act here, they are fully part of and covered under the financial services compensation scheme and therefore make full contributions to it. Does the Minister have any views on whether such a regulatory change would be helpful?

1.15 pm

Sir Peter Viggers (Gosport) (Con): I could not contribute to the debate yesterday for the agreeable reason that I was at Buckingham palace, so I welcome the opportunity to make a brief contribution today.

This banking crisis did not emerge from old-fashioned banking at all; it emerged from the kind of banking, known in the trade as "originate to distribute", that has developed in recent years, whereby banks put together packages of securities and then pass them on to each other in collateralised debt obligations, or CDOs, which have proliferated and become far more complicated. The amounts involved are enormous. The derivatives are inter-traded and cut in different ways; the original asset may go through many different manifestations and changes before it eventually ends up in the book of one bank. It has become a matter of enormous complication and vast financial implications. No bank can be completely confident that the asset that it holds is sound; all banks are contaminated to a greater or lesser extent by loans or investments that they may not be able to recover. All banks are toxic because of the massive amount of inter-trading that has taken place.

There is an urgent need accurately to identify each bank's assets and liabilities. The issue has to be resolved because most businesses, large or small, depend on bank gearing and bank borrowing to a greater or lesser extent. Most businesses have bank loans or facilities, many of which are not being rolled over. Many smaller businesses in particular are being offered much less advantageous terms; banks that had been borrowing at 8 or 9 per cent. are finding that their facilities are being reoffered or not offered at all. If they are being reoffered, it is happening at about 15 per cent. Moreover, all trade depends on bank facilities; goods in ships may not be unloaded and sent on to their ultimate destination unless the bank facilities for their transit are available. Something must be done.

In many ways this situation is unprecedented, but it is not completely so. A week ago, I drew attention in the House to the fact that what evolved at Lloyd's of London in the 1990s is a close analogue to the current situation. I became an underwriting name at Lloyd's in 1972. In 1989, when I ceased to be a Minister, I could see that things were going wrong at Lloyd's. I could come out of Lloyd's, stay there and worry or stay there and try to do something. I stood for the council of Lloyd's as an external member and was elected. I later became a member of its audit committee, so I was closely involved in the resolution of the problems in the 1990s.

The problems were similar to the ones that we have now. I put that point to the Chancellor of the Exchequer two days ago, but he brushed it aside saying that the Lloyd's situation was very different. But it is not: it is the nearest that we have to an accurate analogue. Lloyd's syndicates were underwriting risks and passing them on by way of reinsurance. The syndicate that had reinsured would then reinsure further, and there was a whole cycle of investment and reinvestment. The problem was that the syndicates were not entirely sure what risks they were underwriting. There was uncertainty because no one knew the reliability or soundness of the risks. That situation is very similar to that in which we find ourselves with the banks now.

Let us imagine—my comparison is a rather ugly one—that every single loan is a tiny piece of spaghetti, all the pieces are mixed up in a great big bucket, and we end up with a massive asset so that no one knows what they have got when they buy a share or slice of it. What we must do—this is the parallel that we draw from Lloyd's—is identify and isolate the unsound assets. Lloyd's created a new vehicle, Equitas, into which it transferred the unsound or questionable assets, so that it could move forward with purged units or entities that were free of the unsound or doubtful assets that were there previously.

Mr. Bone: My hon. Friend makes a powerful point. Is he suggesting something similar to the American Government's attempt, in their first package, to remove toxic debt from the banks?

Sir Peter Viggers: In fact, I thought that the first Paulson plan to inject $700 billion into the banking sector was fundamentally misconceived because it did not identify and isolate the toxic assets. Paulson suggested an investment of $700 billion in the unsound part of the market, and the money was intended mainly to acquire the assets that were known to be unsound at a price higher than market value.

Mr. Andrew Tyrie (Chichester) (Con): I am listening carefully to my hon. Friend, but I wonder whether the Equitas parallel works. In that case, the toxic waste was transferred to a body that remained the responsibility of the private sector and where the liability ultimately remained with those who created it. In the case of the banks, and of the Paulson plan, it was transferred to a public body, with taxpayers being directly at risk.

Sir Peter Viggers: I will come to the main thrust of my argument three points further down the line, if I may. Obviously, the situation is vastly complex. We have to respect Mr. Paulson's background and experience, and we must assume that he built into his plan safeguards that I have perhaps been too naive to understand. I am not saying that Lloyd's is a complete parallel and that I have the answer that nobody else understands, but I am convinced that there are lessons to be learned from the Lloyd's experience that I have not yet seen Government taking on board.

The next point to draw from Lloyd's is that we are all in this together. The Lloyd's community realised that if the Lloyd's ship sank everyone would drown, so we had to find a way through. That leads to the need for a strategy for burden-sharing.

[Sir Peter Viggers]

My next point concerns moral hazard. We should ensure that those who took the greatest risks bear proportionately more loss. That requires an overarching strategy to identify those who took the risks to ensure that they suffer.

Why should anyone—taxpayers or Government—invest in an institution that is known to be unsound or at least questionable? Why should not Government money—taxpayers' money; our money—be put into vehicles that we know to be sound, their having been purged of unsound or questionable risk? More needs to be done to ensure that Government money is invested soundly and that unsound or questionable assets are put into a situation of run-off so that they bear their own risks.

My penultimate point is that there is one piece of good news. Nobody knows exactly where the risks lie, so banks and other institutions have inter-traded, with the same unsound and questionable assets being passed from bank to bank and institution to institution and carried as risks on the balance sheet of everyone who has handled them. If the questionable assets can be identified and isolated, I am certain that we will ultimately find, on adding them up, that they are the subject of double, triple or multiple counting, so the obligations are not as great as we first feared.

Finally, I challenge the Financial Secretary to the Treasury to demonstrate to the House that the investment that is being made and the vast increase in funding that the Government propose is to be made in sound securities that in the longer term will be seen to be robust in the eyes of the taxpayer.

1.25 pm

Mr. Peter Bone (Wellingborough) (Con): My hon. Friend the Member for Gosport (Sir Peter Viggers) makes an extremely important point about treating the causes rather than the symptoms of the problem and removing the toxic liabilities from the banks, but nowhere is that addressed in the central Government supplementary estimate that we are considering.

On the technical point that I raised with the Minister, I understand that the vast bulk of this is cash accounting, but if there is a resource accounting element that is not provided for, the whole thing might fall. I am sure that his officials have considered that, but I am surprised that only £1,000 was included, whereas perhaps it should have been, say, £10,000 to cover all eventualities.

In the course of the next three hours, assuming that the debate runs its full course, we will write a blank cheque to the Government for £42.2 billion—an increase in the cash estimate for the year of nearly 10 per cent. That is an unprecedented increase in an out-of-turn supplementary estimate. During those three hours, we will have spent £234 million of taxpayers' money per minute, yet what we know of how that money is to be spent is sketchy at best. It equates to £1,361 for each and every taxpayer in the country. It is to be spent as the Government want without proper debate or consideration, and without full parliamentary scrutiny. It is like the Government taking £1,300 of our money along to the local casino and betting it on black, hoping that it will not turn out to be red. On the roulette wheel, at least one knows the odds, but in this situation we have no idea what the possible return, if any, will be for the taxpayer.

This supplementary estimate is part of the Government's £500 billion bail-out of the banks. It is the biggest bail-out in the world so far, paid for by the biggest peacetime increase in debt. It will lead to the Government's debt rising to 50 per cent. of gross domestic product—in other words, £8,200 for every man, woman, child and baby in the country. It asks us to approve an enormous amount of borrowing to support and bail out irresponsible banks. Only now are members of the public beginning to realise just what the Government are about. I recently received an e-mail from a constituent, which I should like to read because it adds light to the situation:

"My partner brought it to my attention about a small banking situation where she accidentally missed a credit card payment to a major bank, who is in line for government/tax payers backing. A letter was posted to her with an amended payment figure and date of 20th october, but last friday the bank was on the telephone to her, high pressure, demanding cards and payment, luckily, she is not easily scared and told them otherwise!

My issue is, in the light of the current banking problems, and WE the public are footing the bill for the banks errors in judgment, should it be "assumed" by the banks that just because they are in dire straights, everyone else is. It is not as if my partner is an habitual late payer, it was a one off.

I feel that these banks should be humbled to the public in some way and not come on heavy handed at the slightest opportunity. With government intervention should these issues be taken into consideration? How many other people are being submitted to this style of treatment?...Yours sincerely,

Mark Grinter."

We can all relate to that. Anyone who has ever run a small business will know how unsympathetic, ruthless and heavy-handed banks can be, literally putting companies into liquidation at the drop of a hat. Yet taxpayers are being asked to bail out the banks to the tune of £1,361 each.

It strikes me that it is a duty of Parliament not to write a blank cheque, but to scrutinise the Government's proposals in much greater detail. This out-of-turn supplementary estimate is the first opportunity we have had to scrutinise the Government's banking recapitalisation plans. Indeed, it is the first time that many Back Benchers have even had the opportunity to discuss the issue. Yes, there have been a number of statements from the Chancellor, but on each and every occasion Back Benchers have been left standing. Many Members have not been able to put even one question to the Chancellor about the extraordinary amount of expenditure that we are considering in this Government supply estimate.

Things are different in America. Full congressional scrutiny took place and the revised package was far better than the original one proposed by the Executive. But in this mother of Parliaments, no time has been allocated to debate a substantive motion on which the Government could be defeated. The Government are spending the most extraordinary amounts of our money in nationalising, or part-nationalising, certain banks. Today's three-hour debate will be the first time that many Back Benchers have had an opportunity to discuss the matter.

I find it quite extraordinary that this week we have found it possible, on non-substantive motions, to discuss democracy and human rights, access to primary care trusts, local government and energy providers. We have had hours and hours of debate on what are no doubt

important issues, but clearly they are not as important as the biggest financial crisis in 100 years, with the Government heading from boom to bust at breakneck speed.

I might be the only Member of the House who thinks that the Government's proposals have significant flaws, and that there should have been a far more market-oriented solution, but there should have been proper thought and consultation, and detailed proposals should have been brought to this House. I am sure that if that debate had occurred, many Members would have made improvements to the package. If we pass the supplementary estimate today, the Government will be able to do what they want with £42.2 billion of our money.

I turn to the proposed, out-of-turn supplementary estimate we are considering. As I have said, we know little detail of how the £42.2 billion will be spent. Some detail on the estimate is outlined in House of Commons document 1061, and some supplementary information was provided by the Chancellor, who placed in the Library a number of documents two days ago. It was rather difficult at the time to get hold of the documents, but they were eventually released. The documents were the preference share subscription agreements between the Commissioners of Her Majesty's Treasury and the Royal Bank of Scotland plc, between the Commissioners of Her Majesty's Treasury and HBOS plc, and between the Commissioners of Her Majesty's Treasury and Lloyds TSB Group plc. In addition, we were provided with the placing and open offer agreements between the Royal Bank of Scotland plc and UBS Ltd, and Merrill Lynch International and the Commissioners of Her Majesty's Treasury, and the placing and open offer agreement between HBOS plc and Morgan Stanley & Co. plc, and Dresdner Kleinwort Ltd and the Commissioners of Her Majesty's Treasury. We were also provided with the placing and open offer agreement between Lloyds TSB and "blank", and "blank" and the Commissioners of Her Majesty's Treasury. We have not even been told which merchant banks will be involved with the Lloyds TSB agreement.

We know in broad terms that the estimate deals with £42.2 billion, and it is broken down as follows. RfR 1 of the supplementary estimates is entitled:

> "Raising the rate of sustainable growth and achieving rising prosperity and better quality of life with economic and employment opportunities for all"—

a rather strange way to raise the issue of the biggest banking collapse this country has ever seen. The section "Reason for change" refers to

> "Changes relating to movements in budgets"

and

> "Changes in annual managed expenditure".

The detail is as follows. First, the £4.6 billion for the transfer of the retail deposit book and the branch network of Bradford & Bingley plc to Abbey National plc following the Bradford & Bingley plc Transfer of Securities and Property etc. Order 2008 No. 2546—in other words, the cost of allowing Bradford & Bingley to collapse. Interestingly, that is a totally different approach from that taken to the nationalisation of Northern Rock or the part-nationalisation of the Royal Bank of Scotland, HBOS or Lloyds TSB. There is a significant lack of consistency on the part of the Government, which was raised by the hon. Member for Twickenham (Dr. Cable). That lack of consistency has been a trend throughout this ordeal.

Secondly, we have the £0.6 billion going to ING under the Transfer of Rights and Liabilities to ING Order 2008 No. 2666—in other words, money to protect depositors in Icelandic banks. Thirdly, and this is where we turn to the capitalisation of the banks that has been discussed in recent days, we have the purchase of shares in Royal Bank of Scotland—£20 billion broken down into £15 billion of ordinary shares and £5 billion of preference shares. Fourthly, we have the purchase of shares in HBOS at £11.5 billion, of which £8.5 billion is in ordinary shares and £3 billion is in preference shares. Fifthly, we have the purchase of shares in Lloyds TSB at £5.5 billion, of which £4.5 billion is ordinary shares, and £1 billion is preference shares. When one says that quite quickly, it does not seem to be very much, but when we think of the enormity of what we are discussing, we can see that it is quite staggering.

I know that other Members intend to speak, so I will not comment on the £4.6 billion relating to Bradford & Bingley or the £0.6 billion relating to the Icelandic banks. I want to talk about the huge investments of taxpayers' money into the three commercial banks, and the market capitalisation of the banks. First, I would like to discuss how the capitalisations relate to the money we are proposing to inject. On 14 October, according to the Library, the market capitalisation of RBS was £10.9 billion, but we are proposing to spend nearly double that amount in taxpayers' money—£20 billion. The HBOS market capitalisation was £4.9 billion, and the proposed capital injection is twice that amount at £11.5 billion. Finally, Lloyds TSB's market capitalisation was £9.7 billion and the proposed injection is £5 billion—just over half the market capitalisation. Those are extraordinary injections of cash, which are significantly disproportionate to existing market capitalisation.

It is not clear how we reached such low market capitalisation. The last reported profits for those banks were: RBS—£9.9 billion; HBOS—£5.5 billion, and Lloyds TSB—£4 billion. The auditors' reports on those banks included no qualification, and it appears that the auditors will have signed off the companies' assets at a much higher value than they are now worth.

The role of rating agencies in the fiasco should also be considered, but such issues should have been properly debated before we arrived at the mega supplementary estimate that we are being asked to approve today. How can we approve a blank cheque for £42.2 billion when we do not know the true strength of the three banks to which the estimate refers? It is impossible that due diligence was exercised. The ideas seem to have been thought up on the back of an envelope during night-long meetings. The detail of the offer and subscription agreements shows the folly of that.

Let us make a UK-America comparison. Later, I want to consider in detail the individual estimates that the various documents show, but the British Government's proposal clearly differs significantly from the American package that was announced last night. The latter is market oriented and designed to benefit the American taxpayer and the larger economy. The British Government's approach neither protects the taxpayer's interests nor allows the banks to recover—it is deeply flawed.

[Mr. Peter Bone]

There have been huge regulatory failures to control the banks over many years and a huge bubble of debt has ensued. It appears that the banks have been lending more and more debt between themselves, which has little or no value. The boom was built on debt and was therefore bound to crash. If a small prick is made in a big balloon, the whole thing will collapse. The housing market's collapse has pricked the balloon and all the financial air is rushing out. The out-of-turn supplementary estimate constitutes an attempt to put a patch over the escaping air, but it does nothing to tackle over-lending, which is the root of the problem. How could it be right to lend mortgages of 125 per cent. of the value of property? How could it be right to allow self-certified mortgages or lend five or six times a person's annual income?

The position was made worse by the insistence that there would never be a return to boom and bust—that was the Prime Minister's mantra. That was clearly nonsense because it defied economics and trade cycles, but it encouraged ordinary people in this country to take on more and more debt because they believed that the value of their houses would always increase. The banks were happy to lend because they thought that the value of assets would always go up. The Prime Minister must accept a great deal of responsibility for that boom. The £42.2 billion in the supplementary estimate is the colossal price that we are paying for his incompetence.

Many people will ask why we are protecting the banks and bank jobs at colossal risk when we allow other companies to go to the wall. The employees of XL travel or Travel City Direct and others in that group, who lost their jobs overnight, must wonder why they are being asked to bail out bankers. Today, it was announced that total unemployment had increased to 1,792,000—5.7 per cent. of all those economically active. Inflation is running at 5.2 per cent., which is more than twice the Government's required rate, and house prices are in a nose dive.

All those factors form a significant background to the out-of-turn supplementary estimate. I believe that British taxpayers will be outraged if we approve the estimate today without proper and due consideration of the relevant issues. In my constituency, 1,721 people are on jobseeker's allowance: in 1997 the figure was 1,643. In Wellingborough, we have therefore already reverted to the position of 11 years ago. The unemployed in Wellingborough must be astounded at the amount of money they are effectively being asked to spend in the estimates.

It is difficult for hon. Members and the public to accept the Government's consistently moving the goalposts. We are considering estimates, but proposals for spending the money change from day to day. I have no faith, given our limited knowledge today, that the money will spent in the way that we think—it could be spent totally differently.

Let me illustrate the point with some of the Chancellor's statements. When he discussed the nationalisation of Northern Rock on 18 February, he said:

"I want to set out the reasons for the decisions that I have made and to outline what the new legislation will do. Before that, let me remind the House that last September there was almost universal agreement that the Government were right to intervene to save this bank to stop its problems spreading to the wider banking system. There was also an agreement that, ultimately, the long-term future of the bank must lie in the private sector. Even those who advocated nationalisation in the autumn did so on the basis that this could be only a temporary step—a stepping stone—to return the bank to the private sector, when market conditions made that possible... The Bill potentially applies to a range of financial institutions, but I want to make it clear that the Government have no intention at present to use it to bring any institution other than Northern Rock into temporary public ownership."—[*Official Report*, 18 February 2008; Vol. 472, c. 21-2.]

Clearly, the Government's position then was that nationalisation was a one-off—an individual, specific situation—and that the bank should be returned quickly to the private sector. It was to be a temporary stepping stone, not long-term nationalisation; a one-off, not a problem with the whole banking system.

However, on 6 October, the Chancellor made a statement to Parliament on the financial markets. He said:

"We need, too, to work with other countries to tackle the causes of these problems, as well as dealing with their consequences. Let me briefly remind the House of what we have done to stabilise the banking system as a whole. Since April, the Bank of England, with support from the Government, has introduced the special liquidity scheme providing funding to the banks. The Government have made available in excess of £100 billion of long-term funding to be lent through the scheme, and the Bank of England has extended it until January. I am willing to make further resources available as necessary and the Governor has made it clear that

'In these extraordinary market conditions, the Bank of England will take all actions necessary to ensure that the banking system has access to sufficient liquidity'".—[*Official Report*, 6 October 2008; Vol. 480, c. 21-2.]

The goalposts had been moved. The problem was no longer the temporary nationalisation of one bank but liquidity in the banking system.

Two days later, on 8 October, the Chancellor made a statement entitled, "Financial Stability", and the goalposts were moved again. He said:

"I also said that the Government were ready, with the resources and the commitment, to do whatever was necessary—in terms of liquidity and capital—to maintain stability in the banking system. That is why today I put forward measures designed to restore confidence in the banking system and to put banks on a stronger footing.

There are three strands to what I have outlined today: first, to provide sufficient liquidity now; secondly, to make available new capital to UK banks and building societies to strengthen their resources and to restructure their finances, while maintaining their support for the real economy; and thirdly to ensure that the banking system has the funds necessary to maintain lending in the medium term."

He continued:

"The eight major UK banks have today announced that, in aggregate, they plan to increase their capital by £25 billion. Banks can raise that capital in the open market, in the usual way, or they can raise it through the newly created bank recapitalisation fund. Other eligible banks and building societies can also take part.

Through the fund, the Government stand ready to buy preference shares in the participating banks. Preference shares rank above the stock of ordinary shareholders. The Government will receive a fixed regular payment for holding those shares and will get better protection against any future losses. In addition to that, the fund will be ready to provide at least another £25 billion of capital to strengthen the balance sheets of any interested bank. The taxpayer, therefore, will be fully rewarded for that investment."—[*Official Report*, 8 October 2008; Vol. 480, c. 277-278.]

The goalposts were therefore moved, to £25 billion of preference shares with regular dividend payments—not a direct investment in common stock, but an investment

in preference stock. I could understand that logic, but the position has changed significantly in the current estimates, which are not the same as the position set out in that statement.

The Chancellor came to the House with another statement on 13 October—his most recent statement to the House. If I read a few lines from that statement, hon. Members will see that the goalposts have moved yet again. The statement was entitled "Financial Markets".

Madam Deputy Speaker (Sylvia Heal): Order. Perhaps the hon. Gentleman could do us the pleasure of giving a précis of what the Chancellor said in his statement. Lengthy quotations, as the hon. Gentleman will know, are really not acceptable.

Mr. Bone: Thank you, Madam Deputy Speaker. I do apologise, but I wanted to get on record the fact that I was not misrepresenting in any way what the Chancellor had said. Basically, we had moved from the idea of preference shares to massive investments in common stock. Only in today's estimates are we being asked to provide £9 billion of preference shares, when a few days ago we thought that we were going to be providing £25 billion of preference share stock. Instead, my calculation is that we have £28 billion of ordinary shares to buy, which came out of the blue. That is an extraordinary departure. The goalposts have moved so quickly and with so little scrutiny that I do not see how the House can approve today's out-of-turn supplementary estimates.

Let me say something about the political impact of the statements and how the Government and the Opposition have worked. I would like to praise the Leader of the Opposition and the shadow Chancellor for what they have done in the past few weeks, which has not been easy for them. It would have been easy for them to attempt to make political gain, but instead they have acted in the best interests of the country. In this sobering time of financial crisis, they have put aside their differences and worked with the Government.

The Leader of the Opposition and the shadow Chancellor deserve great credit for that. I fully respect their actions in putting the good of the country first. They have suggested amendments to Government actions and, at a time of extraordinary crisis for the country, have supported the Government to ensure that there is no panic in the system. The manner in which my right hon. Friends have conducted themselves has been admirable. They have done extraordinarily well. Indeed, today we have yet again heard a helpful and constructive statement from the Opposition Front Bench, from my hon. Friend the Member for South-West Hertfordshire (Mr. Gauke), who posed a number of questions that are of great importance to the country.

However, that does not abrogate the need for a proper parliamentary discussion about today's estimates and the Government's decisions behind them. Having the issue debated in Parliament is the tried and tested way of ensuring that matters of such high national and international importance are comprehensively and successfully concluded.

Let me turn briefly to something that appears to be missing from today's supplementary estimates, which is the situation of Equitable Life. I cannot understand why there is no provision in the estimate for the money that the Government will have to pay in relation to Equitable Life. By not bringing that forward today, they will have to return to the House and take up more parliamentary time introducing a provision to cover the cost of compensating Equitable Life pensioners.

There is no question but that the Government will have to do that, because the ombudsman has ruled against them. Unless they totally ignore what the ombudsman has said, why on earth was a small additional provision not included in today's estimate to cover the potential cost of compensating Equitable Life pensioners? If I were an Equitable Life policyholder, which I am not, I would be outraged that the Government are providing £42.2 billion of taxpayers' money to prop up the banking system while dragging their feet in supporting pensioners whom the ombudsman has already ruled should be compensated. I would be grateful if the Government could explain that omission.

Let me turn to the detail of what we are considering, which is the central Government supply estimate and the documentation relating to it. This large document—the placing and open offer agreement—is what the Government have supplied as background reading, and it was great fun to spend many hours reading through it. It is about spending £37 billion of our money. I have looked at many share subscription agreements in the past, but the ones in this document seem to have so many holes in them that we could spend the rest of day going through each one. I am not going to do that, but I want to address the main points that we are considering today.

I should point out that we are talking about only three banks, not the whole banking system. In fact, in his statement on 13 October, the Chancellor confirmed that Santander, Barclays, HSBC, Standard Chartered and Nationwide had all increased or were in the process of increasing their capital base without having to turn to the Government for funds. I therefore want to discuss what in the out-of-turn supplementary estimate relates only to HBOS, Lloyds TSB and RBS. There is a broad breakdown of the estimate in House of Commons document HC 1061. The details of the estimate are broken down in six separate documents, but they are far from complete and in some respects contradict each other.

It is extraordinary that the preference share subscription agreements could be so different and written in such a different style. I note that the US Government's proposals, issued overnight, are common for all banks, and I am amazed that the same is not true for the three banks that we are talking about. I am not talking about just the details of the dividend rates; I am talking about the style and manner in which the agreements are written. One document refers to a floating dividend rate plus LIBOR, another to a floating dividend rate of LIBOR plus 7 per cent. They may refer to the same thing, but they are written totally differently.

I have personal experience of dealing with a Government preference share issue. It was many years ago, when I was running a small, expanding manufacturing company, but the principle is the same. In my case, we were helping to expand a new manufacturing company, but the issue could equally have been to support the working capital of an existing company. And we are seeing exactly the same principle today. My case involved £100,000—if we add a few noughts, we can compare it with what we are dealing with today—and it involved non-voting, fixed-rate, cumulative, redeemable preference shares. Preference shares are ranked more highly than

[Mr. Bone]

ordinary shares, so if there is a liquidation, the holders of those shares get their money back before the ordinary shareholders. However, the holders of preference shares rank lower than creditors, so they in fact become the capital of the company.

In the supplementary estimate that we are considering today, we are told very little about the terms involved. We have to look behind it to the supporting documents, which are not entirely clear. If I make errors when I talk about what I think the Government are proposing, it is because we have not had a clear, proper explanation of exactly what they are doing.

In the case of a cumulative preference dividend, if a company cannot pay a dividend, it does not have to do so. However, when its trading recovers, the dividend is collected in subsequent years. For example, a return of 5 per cent. might not be paid in year one or year two, but a return of 15 per cent. would be paid in year three. That dividend would be paid before anything was paid to the common shareholders. Why have the Government not made the preference share agreements cumulative? According to the documents, they are non-cumulative. There is therefore a possibility of there being no return at all for the taxpayer from the preference shares.

In my case, the preference share dividend was paid, the shares were redeemed and the company flourished. I would hope that that is the outcome that we want from the banks. However, the Government have done some extraordinary things. First, there is the non-cumulative aspect of the preference dividend. Secondly, the notional preference dividend is an extraordinary 12 per cent., at least until 2013. After that date, it splits, and Lloyds TSB will pay 7 per cent. on the preference dividend, while HBOS and RBS will pay that amount plus LIBOR. I do not understand how that will work if the Government are planning to put Lloyds TSB and HBOS together as one company. That is not explained in any of the documents or in the supplementary estimate. The rate of inflation is 5.2 per cent. at the moment. I could understand the Government setting the notional preference dividend at 12 per cent. if they thought that there was going to be an explosion in inflation. At this stage, however, it appears punitive, and it will prevent the company from making any preference share dividends. In the United States, the Government have come up with a 5 per cent. preference dividend.

Another issue that concerns me greatly is the restriction on when the preference shares can be redeemed. They cannot be redeemed before 2013, plus five years from the date of issue plus one day. That makes them a medium-term investment. The decision whether to pay a return on them is entirely a matter of discretion for the board of directors. That is made clear in the documents. If I were one of the directors, I would not declare any dividend before 2013, given that the directors would not be allowed to pay an ordinary dividend until all the preference shares had been redeemed, and that they could not redeem the preference shares until at least that date. If they repaid the preference shares at that point, there would be only one dividend payment. If that were divided by the minimum number of years that the preference shares had been held, the rate of return for the taxpayer on the billions of pounds invested in those preference shares would be 1.4 per cent.

We have already seen outrage in the financial press at the idea of preventing the banks from paying ordinary dividends until the preference shares have been redeemed. I cannot imagine why people would want to invest in banks that they know cannot pay a dividend until at least 2013, and possibly much later, when there are at least five other banks in which they could invest. That is a huge error on the part of the Government. They do not seem to have thought this through, and it is their rush to take action that concerns me most. I would have liked them to say that they would look at the provisions for preference shares, think the matter over in more detail and come back to us early next week with a properly thought-out motion that we could discuss before debating the supplementary out-of-turn estimate. The problem with agreeing to the estimate today is that a Bill was automatically generated under the motion passed last night on which we are allowed no debate whatever. We will be allowed only to vote on it.

My suggestion to the Government is that they follow the American example of having a much lower preference dividend rate, and that they allow dividends on the ordinary shares. Let us face it, we are going to be huge holders of the ordinary shares, and such a provision would get a return for the taxpayer right away.

I want to make a couple of points relating to the massive common share issue, which is totally new and has had no parliamentary scrutiny. Originally, we were told that Lloyds TSB, a strong bank, was to take over HBOS, so that there could be a market solution to HBOS's problem. We were told that we were going to throw away the competition laws to allow that to take place. I am not sure that that was the right thing to do at the time, but the principle was that the two banks were being put together to provide a market solution. I really want the Government to explain why Lloyds TSB is not being allowed to go its own way, like Barclays and the others, now that we have nationalisation—or part-nationalisation—on a massive scale. It is a much stronger bank. We would then have only two banks in part-nationalisation. I have seen no ministerial statement, either in the House or in public, on that issue.

Finally, I turn to the supplementary estimate that we are being asked to consider today. There has been an enormous amount of talk across the Dispatch Box about the terms and conditions that would be put on these companies. I have hunted high and low through the documents to find out what kind of controls are to be placed on the directors. When I was in business and a mere £100,000 was being invested, we had a thick booklet to tell us what we could and could not do. Our emoluments were controlled. Only two pages among the several hundred pages of documents before us deal with this issue. They state that the directors cannot have a cash bonus this year, but they can have a bonus in stock. Most bonuses are in stock anyway, so no control is being placed on these greedy bankers about whom there has been so much fuss. The Government might be trying to hide the fact away, but there is nothing in the documents that will control those emoluments. That is an extraordinary omission.

At the same time, however, the documents set out a wholly unacceptable condition—my hon. Friend the Member for South-West Hertfordshire was right to correct me on this earlier. They state that, for three years, the level of lending must be at the 2007 level—the

very time when too much lending was going on. The Government are imposing only very limited conditions on the directors, yet they are imposing a condition on the banks that is completely wrong for them and for the country. There are no time scales on these investments. The documents just have blank spaces where the time scales are supposed to be. They say 20—something. This week, we have been debating important issues, but not ones of fundamental significance, yet we are being asked today in a three-hour debate to approve a blank cheque for £42.2 billion. That is just plain wrong.

2.10 pm

Mr. Andrew Tyrie (Chichester) (Con): I strongly support bank recapitalisation. We therefore have no choice but to support the estimate.

Before I go on to discuss that, I want to allude to an issue raised in the debate on the Banking Bill yesterday. A number of people, including the press, have raised with me the allegation of the hon. Member for South Derbyshire (Mr. Todd), who I see in his place, that my article in *The Times* of 3 October was in some way connected with secret briefings that had allegedly taken place between the shadow Chancellor and the Governor of the Bank of England.

When I heard about the issue this morning, I was at first flattered that someone had taken the trouble to read my article, but I have now realised that, given the calls that I have had, I cannot let the matter rest. The hon. Member for South Derbyshire suggested that my article was derived directly from the briefing, and I am told that he has not been the only one to make the point, as a number of press briefings to the same effect have come to my attention.

I want to make it clear that the allegation is complete nonsense. I had no knowledge of any secret briefings between the shadow Chancellor and the Bank, although I have subsequently learned that a meeting did take place on 3 October, at which the Treasury was also present. Nor did I have any such conversation with the Governor. I know him well, but in recent months I have had no conversation with him or with any Bank of England officials.

I wrote the first draft of my article in mid-September, immediately after the decision taken by Paulson to let Lehman go bust. In view of that decision, I concluded that a general collapse in trust between banks about each other's solvency was very likely and that bank recapitalisation would probably be an essential part of the solution. I discussed the article with *The Times* quite early on and a first draft was sent well before the 3 October meeting—at least a week before would be my guess, although I have not yet checked it with the newspaper. It is true that I rang the shadow Chancellor's office on several occasions during the week of 22 September to put the case for bank recapitalisation and I also sent him a copy of my article a few days prior to its publication. Those are the facts and, judging by the briefings going around, there seems, frankly, to be a bit of paranoia going on.

Mr. Mark Todd (South Derbyshire) (Lab): I would like to make it clear, first, that I entirely accepted the assurances given by the shadow Chancellor in yesterday's debate about the lack of provenance of any linkage between the article and his briefings. Secondly, I accept that it is entirely appropriate for the Governor to brief the Opposition in confidence; I certainly intended to cast no aspersions and I do not think that I expressed any to the effect that doing so would be wrong. It is, as I say, entirely right and appropriate. Thirdly, I withdraw, of course, any implication that the hon. Member for Chichester (Mr. Tyrie) might have been involved in any deep-laid plot. My reference was focused on the issue of the requirement for confidentiality in the preparation of a complex package of this sort; it was not an attempt to link the hon. Gentleman with the issue.

Mr. Tyrie: I am very grateful for those remarks and I appreciate the hon. Gentleman's alerting me earlier today of his intention to make that statement.

We are being asked to stump up an unprecedented sum to bail out the banks and shore up the financial system. I strongly support the main elements of the bail-out; I just regret that the Government did not get to it earlier. Judging by the thinness of the Chancellor's first statement, which was clearly no more than a holding operation, it is likely that Ministers had not undertaken adequate contingency planning for bank recapitalisation over the last few weeks and months. Much of that work should have been done after the failure of Northern Rock. It should have been clear then that something further might be required. Such work should have been at an advanced stage by the time of the Lehman collapse. History will, of course, tell us what Ministers were doing and what was really said, done and commissioned during that period. I am sure that officials were hard on the case; the question is whether the Chancellor and the Prime Minister realised the gravity of the situation.

In my view, the bank recapitalisation plan should have come as soon as solvency risk grew sharply between the banks and they more or less completely stopped lending to one another. That was almost a month ago, and the delay may prove to have been very costly, not only in lost confidence in parts of the financial system, but in costs to the real economy.

What of the package that we are being asked to fund today? First, we need more information. The US Administration got out of the traps a few days later than us with their bank recapitalisation package, and they appear already to have provided more detail about their rescue than has our Treasury. My hon. Friend the Member for Wellingborough (Mr. Bone) alluded to this issue, and I have picked up information about the details of the package as much from Lloyds bank press releases as from the Government. From that, I learned about the terms of the preference shares, which my hon. Friend also mentioned. I agree with him that their terms are draconian. The coupon is 12 per cent. and it is not tax-deductible; nor can it be redeemed for five years. I shall not comment on whether I believe that that is right in the present context, as it would need a lot more information and thought before doing so, but it is certainly a matter that I would ask the Government urgently to review.

My general point is that Parliament and the informed public are not in a position to conduct the necessary form of scrutiny because the information is, in many cases, simply not available. I realise that it is difficult for the Treasury to put such information into the public domain on the hoof, as there is always the risk of being

[Mr. Tyrie]

picked up for any mistakes in what is published. However, there is a case for getting on with it and getting it into the public domain as fast as possible, even if, in some cases, what is put out is work in progress. We also need to know more about the competition exemption. I strongly agree with what my hon. Friend the Member for Wellingborough said about that earlier. I now have grave doubts about the retention of a competition exemption for banks in which the Government have sizeable stakes.

I do not want to go on for too long, but I want to make a few remarks, which may perhaps collectively form a plea for a sense of perspective over what we have just been through. There are about half a dozen points to be made.

My first point is about the nature of prosperity. We need to keep our focus on the source of the prosperity that we have enjoyed. Over the last 25 years, we have been through, arguably, the greatest increase in welfare and freedom that the world has ever seen. Globalised capital markets played a crucial role in securing that prosperity, as, of course, did the collapse of socialist economics. It is extremely important that we do not lose sight of that in reacting to the crisis.

A second related point is that we really must not end up blaming all global financial instruments as somehow pernicious. Many of those instruments have not been responsible for the crisis; indeed, they helped to spread the risk and reduce systemic dangers. It would be an absolute disaster if, in response to the crisis, we tried to return to segmented global financial markets.

Thirdly, we must not draw the wrong conclusions from the fact that we face a sharp downturn and possibly, I fear, a recession. We will, of course, have a cyclical downturn and it could be large, but it was a big mistake to imagine that we could abolish the business cycle. I recall the Prime Minister saying that time and again when he was Chancellor about a decade ago. I was not present for Prime Minister's Question Time earlier, but I gather that this issue was raised. The Prime Minister was charged with saying 180 times—in this House alone—that he would put an end to boom and bust. It is not just that he was wrong, but that saying it caused damage because it gave people, businesses and financial markets a false sense of security. That applied to millions of people who take their own individual financial decisions, who were encouraged to take on even greater risk than they would have done otherwise. The truth is that, despite the spilling of several centuries' worth of ink on the subject, as far as we know at the moment the business cycle is ineradicable, and any attempt to set a policy to remove it is bound to fail.

My fourth point concerns regulation. There will be calls from all sides for more regulation, re-regulation and heavier regulation, but I feel that we must avoid a panic reaction. I was struck by what Congressman Oxley said when he came to London a couple of years ago. As was widely reported, including in the *Financial Times*, he said that the Sarbanes-Oxley package had been an overreaction, and that those responsible were now repenting parts of it at their leisure. That package probably did not reduce risk very much, and certainly did not reduce it in the way intended. What it did was transfer a good deal of listing to the United Kingdom and other markets around the world.

I have two or three more points to make about regulation. There has certainly been a failure of transparency in the pricing of risk. This may appear to be a recondite issue, but accounting standards definitely need to be tightened. There has been far too much managerial discretion on the part of banks in regard to how to value their assets. We shall need to return to that subject on another occasion, as there is no point in elaborating on it now, and in any event it is not clear exactly what needs to be done; all that is clear is that we should not continue as we are.

Then there is the regulation imposed by the Financial Standards Authority in other ways. We must be extremely careful not to allow ourselves to be drawn into thinking that prodding the FSA to become a more vigorous policeman will necessarily afford us better protection from this type of risk. The FSA's periodic investigations of firms are akin to compulsory risk management consultancy activity, and, like any consultant, its work is only as good as the information that is given to it. It always knows less about the companies that it investigates than the management of the companies themselves, and in any case the work that it does can easily become just a business cost: in other words, the consumer pays for it but gains very little protection. I make no specific recommendation, apart from that we should be very cautious about demanding far more of the FSA in terms of risk-based regulation of individual firms in response to this crisis.

I think there is a case for strengthening boards, especially those of financial companies, in a number of ways. For example, could the combined code be strengthened to trigger greater shareholder activism, particularly to secure the appointment of more truly independent-minded non-executive directors? I think there are far too many comfort-zone appointments of "non-execs". It is partly their job to pick up the growth of this kind of risk on the balance sheet. We have all been appalled by a number of the financial instruments that have found their way into the asset base of banks. The sad truth is that many, perhaps in some cases all, of the directors on the boards of huge institutions who make the decisions have failed to ask the right questions about the content of instruments such as collateralised debt obligations and special purpose vehicles. It is very difficult for them to do their job, but we must have people who are prepared to ask tough questions of management about such instruments.

The Government have improved depositor protection, and I think that they were right to respond in the way in which they did. They were, I think, also right to be cautious about blanket protection for deposits, whatever their size, certainly at this stage in the development of what I hope will now become a containable crisis. If all risk is removed, customers will simply chase the highest yield, which creates a form of moral hazard. That is pernicious in the long term. Such a blanket commitment would also be extremely difficult to reverse should a future Government wish to take such action, as I think they probably would.

I want to say a little about the monitoring of systemic risk, which clearly failed in the run-up to this crisis. It is not just banks that missed what was on their balance sheets; the Government, and the structure of systemic risk management that they introduced, have also failed. The institutional arrangements that were established as

a consequence of Bank of England independence were clearly seriously deficient. The tripartite committee was created as a residual body, as an afterthought after the decision to strip the Bank of England of its regulatory function had been taken.

How should we deal with the systemic risk issue? During the Committee stage of the Bill that became the Bank of England Act 1998, I observed that it was crucial for the financial markets and the wider public to see one person in charge and leading the response to a systemic crisis. The creation of the tripartite committee, however, meant the creation of two independent statutory bodies with their own vested interests to deploy, plus, of course, the Government. At the time of the Northern Rock crisis, we saw those institutions initially minding their own backs and guarding their turf, rather than working collectively to reach a common position. We have now arrived at a point at which we have clear leadership. It is belated—it has taken 14 months—but thank goodness we have it. I believe that the tripartite arrangements must be altered to leave one person ultimately and clearly in charge of systemic risk management, and in my view that person should be the Chancellor of the Exchequer, accountable to this place.

Let me end with a point that may seem out of place at the moment, but to which we shall all have to turn our attention in the months and years ahead as a consequence of the passing of this estimate and the banks' partial nationalisation, as we are now told to call it. That means mentioning the word "privatisation". A key job for what I hope and expect will be a Conservative Government in a few years' time will be to get rid of these shareholdings: to offload them and privatise the banks. It is essential that that task is accomplished as quickly as is reasonably possible. If we do not take such action, the losers from the retention of these state-influenced banks will be customers, as a consequence of higher bank charges, and the whole economy, as a consequence of a less efficient banking sector than would otherwise exist.

Even as the Government put this package together, I very much hope that they are giving deep thought to how to unravel it in a systematic and intelligent way. They must have in mind all the time where we want to end up. We do not want to end up where we are as a result of the package; we want to end up somewhere very different.

We have narrowly avoided disaster in the last few days and weeks, but the fact that we have narrowly avoided it should not deflect our attention from the fact that we have been faced with a very serious risk indeed. We should, of course, support this rescue plan, but we are only in the foothills of learning the lessons that will flow from the events of the past few weeks and months. If I am to leave the House with one thought, it is that I am very confident that panic overreaction in the regulatory field, and in the other fields to which I have alluded, would be the wrong response.

2.29 pm

Mr. Charles Walker (Broxbourne) (Con): Thank you, Madam Deputy Speaker, for calling me to speak in this supplementary estimate debate. I had a good crack at this subject in yesterday afternoon's debate on the Banking Bill, so I shall keep my remarks short and concise, which I am sure will come as a great relief to you.

Mr. Graham Stuart (Beverley and Holderness) (Con): And as a surprise. *[Laughter.]*

Mr. Walker: That is very rude of my hon. Friend.

The first principle is that the Government have absolutely no money whatever. All money that the Government spend ultimately belongs to the taxpayer; after all, money is raised from the taxpayer. Today, we are looking at a further £42 billion being placed on the public sector borrowing requirement. In recent days, we have moved effortlessly from tens of billions of pounds to trillions, so £42 billion may not sound like a lot of money any more. It sounded like a lot of money three months ago, but now we are in the world of trillions of pounds. It is, however, a huge sum of money, and eventually—sooner or later—it will have to be paid back by the taxpayer.

The sum is, of course, not just the £42 billion of today; a huge amount of borrowing is currently going on outside this £42 billion. Indeed, it is highly likely that by the end of this financial year the Government will have borrowed more than £100 billion, and next year that figure may be exceeded by many tens of billions of pounds. That could mean that next year one in every five pounds spent by Government is borrowed. Clearly, that is not a sustainable position in the long term, and even in the short term it will put our public finances under huge stress for many years to come.

I have had the benefit of the good times. I am 41; I have prospered, my house prices have gone up and my assets have risen in value—admittedly, they have come down a bit in the past few months, but I will have to live with that. However, what worries me most is that this debt we are signing off today—and I am sure we will be called back on numerous occasions over the next few months to sign off even more debt—will be paid back by my children, and there is every possibility that it will be paid back by my grandchildren. Therefore, we are saddling future generations with a huge burden at a time when they themselves will probably have to start paying for things such as their own university education, long-term care and certain drugs not provided by the NHS. Let us be in no doubt, therefore, that what we are doing today will have long-term ramifications for many years and decades to come.

I want briefly to focus on the preferential shares the Government have taken in banks. The Government are charging a hefty return of 12 per cent. interest per year. We could say, "Isn't that brilliant? The banks are getting it taken to them. They are going to get screwed down. They will have to come up with that 12 per cent. My word, they deserve it." However, we all know that, ultimately, it is the customers of these banks who will pay the 12 per cent. People on very limited earnings will face increased bank charges, and will get letters that are even more threatening when they go into an unauthorised overdraft, and will receive phone calls saying, "Your mortgage is about to change rate, and, by the way, you were on 5.5 per cent., but you are now going to 8 per cent." Good, profitable businesses will get phone calls saying, "By the way, we are doubling"—or even trebling—"your interest rate." These measures will hurt immensely. All these routes lead back to the poor bloody infantry—the taxpayer. There is no free ride here; the taxpayer is funding this.

As I mentioned yesterday, my main concern is that over the next year or two taxes on the very poorest will have to increase to fund this. Our tax burden will go up

[Mr. Walker]

across the piece, but those in the worst position to pay the increase will carry an unfair burden. There are many people who earn at or just above the minimum wage, and who do not have bank accounts, savings or mortgages. It is true that we are safeguarding the savings of those lucky enough to have them and the situation of those with mortgages, but there will be a huge transfer of wealth, in the form of taxes, from people who have none of those things. They, too, will be caught up in this terrible web of debt and payment, and that is a great shame.

Mr. Stuart: Will my hon. Friend comment on the fact that it is the very people he is talking about—those who have not enjoyed the fruits of the Brown boom—who will pay the price? How much greater might their taxes be in future, while those of great wealth have been most protected?

Mr. Walker: My hon. Friend makes a very good point. People on every income scale will pay more tax, but those at the very bottom are least capable of doing so. They are already living week by week, and sometimes day by day, waiting for the next pay cheque. This will be a huge burden on them, and it is a burden that all parties in this House have a duty to ease sooner rather than later.

The taxpayer will be paying more income tax, but there is also a great danger, owing to the fact that the Icelandic banks went bust, that the taxpayer will also pay more council tax. We really must wonder what the rating agencies were doing to earn their money. In Hertfordshire, £28 million of taxpayers' money has potentially been lost as a result of the failings of the Icelandic banks, and I know that Hertfordshire took advice from rating agencies and that the agencies said, "Well, we did downgrade the Icelandic banks," but they downgraded them from AAA ratings to AA ratings. As local authorities seek to rebuild their reserves, that will, of course, result in either work not being done in the affected counties or the tax base of council tax payers having to rise in the short to medium term. This is another way in which taxpayers will be forced to pay for regulatory failings and the failings of this Government.

Members should not be in any doubt as we sign off this £42.2 billion that a huge amount of pain is in store over the next few years for a fair number of people. I wish that was not going to be the case, but it is. Good businesses will go to the wall; families will lose their homes; men and women are going to lose their jobs. There will be a huge, and somewhat unnecessary, amount of pain.

It is hugely refreshing that we are having this debate about the Government's record and the failings of the regulatory system and the rating agencies, because that is the very essence of democracy. I was amazed that a number of colleagues and commentators in the newspapers sneered at what went on in the House of Representatives a few weeks ago, because that was the essence of democracy, too—the Executive were being held to account. At a time when Members of Parliament are held in such low esteem, we must not let these opportunities to hold the Executive to account pass. I am therefore disappointed that so few colleagues are present to take advantage of this opportunity—and I was also disappointed that so few were present to take advantage of the opportunity afforded by yesterday's debate on the Banking Bill.

We have heard a lot of talk about consensus politics, but I do not like consensus politics because we live in a multi-party democracy. If we want consensus politics, we should go and live in China. What we want is constructive politics, which centres on robust debate and forensic examination of what is before the House. I therefore ask for less consensus politics and more robust and constructive politics because, after all, that is why we are sent here by our constituents. We must rise to the challenge at this important moment in our history.

2.39 pm

Mr. David Heath (Somerton and Frome) (LD): It is a pleasure to follow the typically thoughtful contribution of the hon. Member for Chichester (Mr. Tyrie) and that of the hon. Member for Broxbourne (Mr. Walker). I challenge the latter on only one point. He says it is inevitable that those on the lowest incomes will suffer most from future taxes, but that is a political and fiscal decision for us in this House to take. It is my firm belief that those who can least afford it should not bear the weight of the measures that we are putting in place; it should be borne by those who have the finances to pay their fair share towards the running of this country.

Mr. Walker *rose—*

Mr. Heath: I give way, but I do not want to get sidetracked into a separate debate.

Mr. Walker: I am grateful. I hope that the hon. Gentleman accepts that I said it was incumbent on all of us in this place to ensure that that happened.

Mr. Heath: Of course I accept that. How to structure taxes to ensure that we protect those who can least afford the stresses of the current situation will be a very important debate for us to have in the near future.

Mr. Graham Stuart: Will the hon. Gentleman give way?

Mr. Heath: I give way, but as I said, I do not want to be diverted from my principal reason for speaking.

Mr. Stuart: I am extremely grateful. My hon. Friend the Member for Broxbourne (Mr. Walker) was absolutely right to say that the burden will fall on those with the lowest incomes. It is difficult to structure our fiscal policy so as to protect them, because at the moment 40 per cent. of the largest single tax take, income tax, is paid by 5 per cent. of the people. In a globalised world in which the super-rich can easily leave the country, it will be those at the bottom of our society who are left to pick up the tab. That is why it is so important that Governments do not repeat the gross errors made by this one, which have helped to put us in the position we are in.

Mr. Heath: The hon. Gentleman tempts me into a debate that is for another day, but I hope I have made my views clear.

I welcome the comments of the hon. Member for Wellingborough (Mr. Bone). I do not agree with everything he said, and he would not expect me to, but his most important point was that this is the first opportunity

that Back Benchers such as myself have had to say anything about the biggest international and national crisis that the House has had to cope with for many a long year, and that a debate such as this is an inadequate vehicle for that purpose.

I would go further: I have said more than once how badly the House deals with matters of supply, which some would say is our prime purpose. It is why we are sent to this House, yet we are unable properly to scrutinise Government expenditure. I suppose that we do a reasonable job of scrutinising the raising of revenue, but expenditure is largely a matter of the House rubber-stamping estimates during wholly inadequate estimates day debates. If the House is serious about holding the Government to account for the vast amount of taxpayers' money that they spend, it needs to consider major reform of that procedure.

As the hon. Member for Broxbourne said, it is extraordinary that so few right hon. and hon. Members have felt it appropriate to come to debate the spending of £42 billion. They will come and debate other things, but £42 billion? "Oh, well, that's nothing important, is it? That's not why we're sent to Parliament. We've got far more important things to do." Well, I disagree; I think it is exactly why we are here.

Various hon. Members have mentioned the difference between how we debate these matters and the American system. There is much to criticise about American governmental and administrative structures, but it is entirely misplaced to argue, as some have, that it was wrong for the House of Representatives to debate at length and in detail the package that was put to it a week or two ago. Whether or not we agree with the views expressed, it gave those representatives the opportunity to express the views of their constituents, which are easy to forget in the desire to establish consensus. That is not an unreasonable or incorrect impulse, but there seems to be a desire to demonstrate how clever we all are about matters economic and financial. I am certainly not clever about them. My hon. Friend the Member for Twickenham (Dr. Cable) is, which is why I trust implicitly the views he has expressed in recent weeks. I claim no expertise, but I do claim a right to speak up for my constituents and discuss the concerns that they have expressed to me. I shall therefore talk about those concerns.

I am not against the step that we have reluctantly taken to recapitalise the banks through the mechanism that has been set up. It raises enormous questions, of course, and at one stage I was worried that there would be an almost free injection of cash into the banking sector. I could not have countenanced that without at least some return for the taxpayer. I am satisfied that that is at least partly covered in the Government's proposals, but the people in our communities who examine what the House and the Government are doing have real concerns that have perhaps not yet been satisfactorily met.

Our constituents have suspended disbelief at the moment. They accept that there is an enormous crisis. It was often referred to last week as "staring into the abyss", but a more apt metaphor would be the mediaeval maps of the world on which there would be a vague bit around the edge, where would be written "Here be dragons". Nobody knew quite what would happen if they sailed off the known world into the areas where the dragons were assumed to lie in wait. We do not even know the nature of the dragons, but it was an extremely scary place to be.

I hope that what has happened in the past week or so, in this country and internationally, will have allayed some fears and staved off some of the dangers, but there is still genuine concern. I think that people are beginning to realise just how important the whole process has become to their real lives and the real economy. The interconnection was not immediately apparent. People in Somerset do not lie awake worrying about merchant bankers. If the merchant banking system were to crash suddenly, it would not cause many tears among my constituents until they realised the consequences for real jobs and businesses and real people's private finances.

I received a tragic letter from a constituent about events a long way away, in the United States. Sometimes we wonder whether we worry unduly about events in the economy and politics of the US, but the letter was from a 94-year-old lady in a nursing home, all of whose savings had been invested without her positive agreement—it was done by one of those advisers who manage such things—in Lehman Brothers. When she wrote to me, she had no idea whether she had anything at all left to ensure that she would be looked after in her old age. That shows the real interconnection between events that may seem distant but actually have direct consequences in our communities.

The big question that my constituents and, I am sure, those of other hon. Members are asking is where the conditionality is. They say, "We are putting into play vast amounts of our money, so what do we get out of it, other than stability?" Stability is a perfectly good end in itself, but what else do they get? One issue that has been raised with me many times is the culpability of those who took risks and played fast and loose, and whether there will be a degree of retribution. Will those people get their come-uppance?

It is unfortunate to use another north American example, but when the chief executive officer of Lehman Brothers was before a congressional committee, he was taxed on why he was walking away from the crash with—what was it?—$500 million. People do not understand why somebody who appears to have been criminally irresponsible with their money gets to keep $500 million. That sticks in the craw of many people in this country; they do not like the idea of a one-way bet. They do not like the idea that someone can win only if they have the money to pay the entrance fee to these casinos that we call the City, because if they find themselves losing, somebody else pays the bill. The view that this is a one-way bet whereby people can only win and cannot lose offends not only the Chapel sensitivities of people in Somerset but ordinary British people, and we must be careful not to create that impression.

People are worried about the vulnerability of the money that is being invested by the Government. They want to know that it is not simply being poured down the drain and that there will be a return on the investment. I look at what is proposed, but I am not sufficiently expert to be convinced that there is a lock on those investments that will ensure a return for the taxpayer—I hope that there is. Most people have to accept at face value the assurances that they are given, but, not too far away, there will be a reckoning when we will see whether there is such a return.

[Mr. Heath]

People want to see equity between different interests and between different sectors, because it cannot be right that the Government are interested, for strategic reasons, in propping up only one industry and will allow others to fall. That takes us into tremendous conundrums of national policy: are we then to intervene in every failing company in every failing sector, or are some sectors considered more equal than others? I do not know the answer to that, but I know that the question will be asked. There have been recent company failures in my constituency. Usually the companies involved are not household names. They are not big companies that attract the headlines, but for the people who find themselves redundant as a result of such failures, it is every bit as important as the collapse of some big name in the City.

That brings me to my next concern. Unemployment is rising, and we have explored that over the past couple of days. I remember when I was first elected, the town of Frome, which I have represented for nearly 25 years in one capacity or another, had a 17 per cent. unemployment rate—it was crippling. The town was in deep and long-term recession. Over recent years, the town has been blessed with almost zero unemployment—almost full employment. It has been very good for the town. There have been hiccups along the way: companies such as Cuprinol and Coloroll, the carpet company, both of which people will have heard of, lost their way, but we recovered from that because the underlying local economy has been strong. Now, unemployment is creeping up again. Although the increase is not huge in empirical terms, in proportional terms we are talking about quite a high percentage. What worries people in rural areas—areas off the main communications system—is how we win those jobs back in a competitive environment if there is a national recession.

I am not satisfied that we have right even the basics for dealing with failing companies. Only this Saturday, a gentleman who had just been made unemployed—along with a number of his colleagues—came to my constituency surgery. He had not been paid his last month's wages, but the company was carrying on trading. It was doing so despite failing to pay these employees for their last month—they were owed that money. That is not a unique experience, but it is wrong; it is robbery and theft from the people who can least afford it, and I object to it.

We talk a lot about the need to refloat the business economy, particularly small and medium-sized businesses, which are so dependent on bank loans in order to maintain their business. I have yet to see clearly that the steps that have been taken have had the desired effect, although I have faith that they will do so. A big risk is involved over the next few months. I supported the Bank rate reduction, and my hon. Friend the Member for Twickenham had called for it, although he would perhaps have preferred a slightly more aggressive reduction. However, if it is not even passed on to those who have loans with a bank in Government ownership, why should we trust that other banks will pass it on? What mechanism is in place to ensure that banks make business loans both available and affordable, rather than merely to exhort them to do so?

Housing and household repossessions also need to be addressed. The biggest growth industry in Somerset is in the courts dealing with repossession orders: there are not enough people to hear the repossession cases in order to clear the backlog, and the position is worrying. I have been warning for many years about the situation in my constituency, which has one of the country's highest ratios between average house price and average earnings. The fact that people are paying such large multiples of their average wage to keep a roof over their head is unsustainable—indeed, many people cannot have a roof over their head, at least not in the village or small town in which they were brought up.

Foreclosures are now occurring, and it is not clear to me that what the Government are proposing and what we are being asked to support will reduce them. Measures could be taken to do so: we could offer to take equity in houses in order to keep people in possession of their own homes. There are ways that the banks, building societies and others could make a real difference, but it is not clear that such measures are included in the proposals before us.

Mention has been made of local government and the difficult position that so many councils face in respect of their investments in Iceland. I looked at the list of such councils, and I could see no discernible political difference between the councils that had invested in Icelandic banks and those that had not done so. Many of the local authorities involved are considered to be the most astute in the country at financial management, so something has gone wrong with the advice they were given. I find it difficult to blame councillors of any political persuasion on this matter, unless I have evidence that they acted rashly. I suspect that most councillors will have had no part in the decision-making process. When I led a council, we were given regular reports on the investments of our pension fund, but they were in generic terms; such reports dealt with the sectors rather than the day-to-day management of investments. I would be worried if elected members had direct control of the route by which investments were made. Although I do not attach blame directly to councillors—or even to councils, provided that they were shown to have taken proper precautions—we must do something to get the assets back.

It is very important to get those assets back, despite the fact that, compared with the turnover of the councils, the investments are relatively small. The figures sound huge when they are quoted down the pub, but they are only a small part of the annual spend of large county authorities. However, the sums are significant and need to be returned. The Government and the Local Government Association—and anybody else who can help—need to be fully engaged in ensuring the return of those assets, because if they are not returned, the money cannot be used for investment in the local community, be that in the direct provision of services or in long-term capital investment and so on. Thus, the return of those assets is an imperative.

Mr. Graham Stuart: Does the hon. Gentleman agree that the Financial Secretary owes the House an explanation of the guidance given to local authorities so that the House and the British people can better understand how local authorities, police authorities and others invested so much public money in Icelandic banks?

Mr. Heath: That is right. We need to look at the work of the rating agencies as a whole, because if the advice that they were giving was so inadequate they are not

carrying out their primary function. We should be aware of that and should perhaps take with a pinch of salt any advice that they proffer in the future.

Mr. Bone: I am listening with great interest to the hon. Gentleman's very powerful speech. I did not touch on this issue in my speech, but does he think that the out-of-turn supplementary estimate should have a provision equivalent to the amount of money that local government has lost to Iceland, in case it is necessary to resort to that? As he said, it is not the fault of individual councils that such things have happened—it is just pot luck.

Mr. Heath: It is difficult to answer that, because I want to see that money returned from where it is sitting. I do not want to pre-empt the argument and, to an extent, if we made provision for that money as a bad debt we would be pre-empting the position. I urge the Government and everybody else involved to show the utmost vigour in ensuring that those assets are returned because they are of such value to local communities.

I want to conclude, but let me deal with two more areas of concern. One has been mentioned several times, but I shall repeat it. I fully expected in the recess that the first thing we would come back to would be a statement about how the Government would respond to the ombudsman's report on Equitable Life. In fact, I said in writing to my constituents that although we did not receive such a statement before the recess, we would of course hear one in October and that the Government would tell us how they would respond and that they would make appropriate recompense to those people who were so badly let down by the regulatory authorities. We still need that statement. We need it even more urgently because, quite rightly, people will ask how such measures can be taken for some people while in the case of the people affected by Equitable Life, who have a clear independent arbiter's review that shows they have been let down by the regulatory authorities, the matter is apparently not even to be mentioned, let alone dealt with. That is a matter of urgency.

The other statement I fully expected to hear this week was an explanation of the details of the insulation grants announced by the Prime Minister over the recess. It might be said that that issue is very far removed from the supplementary estimate, but it is not. The single biggest financial problem faced by many of my constituents is how to heat their homes over the winter. Telling my constituents that they can have grants for cavity wall insulation, when most people have houses with solid walls because it is a country area and the houses are built of rubble stone, is not an adequate response to the huge increase in heating costs. That increase in costs is a particular problem with heating oil, which is another difficulty in rural areas that perhaps does not apply in some suburban and urban areas. Those old-age pensioners who will see the value of their investments, if they have them, reduced and are on a fixed income will find it very difficult to get through the winter.

When this is all over—when the war is over—big questions need to be asked about the regulatory process. I agree that we do not want heavy-handed regulation, but we want regulation that works and that is effective. It is clear that we have not had that. We want to see financial products that are properly transparent. I cannot begin to understand the intricacies of some of the financial products that have been marketed over recent years. We seem to be piling one bet on another on another until we reach the point where we cannot possibly have any trail of understanding that allows people to know what exactly they are investing in. People take a pride in the complications that they have introduced into financial products. It is all very clever, and I am sure it looks good when calculating the bonuses in the short-term financial environment, but it is not good business. It is not sound business, but that is what banks ought to be engaged in.

I agree absolutely with the point made by the hon. Member for Chichester about the role of boards of directors and how they should be strengthened. We all know that some people have 25, 26 or 27 directorships, but they are not doing justice to their fiduciary role as directors. They cannot be. One cannot devote that many hours in each day to the proper care and governance of companies. We need a much clearer idea of the role of directors, and in particular the role of non-executive directors in asking the difficult questions.

Finally, I do not think that the point about the complete failure of audit has been made sufficiently. It is incredible that we have auditing systems across the country that are so incompetent in advising shareholders, potential investors and anybody else on the strengths or otherwise of a company's position, including the position of the banks. My suspicion is that that has something to do with the conglomeration into the big three—or big four, or however many there are—large auditing firms, which seem to be unhealthily close to the companies that they audit. What I want to emerge from the situation is a hard look at the process of audit and at the strength of the auditing system. Perhaps rather than Chinese walls, there could be some real separation between auditors and the companies that they audit so that candid advice is available about the strength of a company's balance sheet and its position. Banks, building societies and financial institutions are meant to be the bedrock of our economy, and we are having this debate today and proposing to spend £42 billion because we cannot live without sound financial institutions. We have allowed them to rot from inside, and that is not good for the British economy.

3.7 pm

Mr. Graham Stuart (Beverley and Holderness) (Con): I apologise for not being here at the beginning of the debate. I share colleagues' disappointment about the number of Members who are present for such an important debate.

We have been lucky in the quality of the speeches we have heard—that has certainly been the case since I entered the Chamber. The hon. Member for Somerton and Frome (Mr. Heath) and my hon. Friends the Members for Wellingborough (Mr. Bone), for Chichester (Mr. Tyrie), and for Broxbourne (Mr. Walker) made thoughtful speeches, and all raised many questions. We look to the Financial Secretary, who is an experienced Minister and has served on the Treasury Bench before, for more answers than we received at Prime Minister's questions earlier today—I thought that the failure to answer some of the key points that were put was worrying. There are many questions to which we need answers this afternoon.

One key question being asked is about the pledge to return to the lending levels of 2007 for the banks in which the Government take stakes. Perhaps that was

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just an off-the-cuff remark that was meant to reassure people that when the banks were taken over the Government would ensure that money flowed. Members have asked that question already, but we have had no answer from Ministers. We can all accept that there has been a deep crisis and that Ministers have struggled, at times, to control their panic and that of the markets. However, given the importance of the messages going out to markets, we deserve an explanation from the Financial Secretary of what the promise of the return to 2007 lending levels means. Perhaps it would be more sensible if the Financial Secretary were to alter that promise this afternoon and give us a clearer steer on the issue.

There are also questions about the time scale of the vast public investment going into ensuring our banks' liquidity. We all recognise that it is difficult for the Minister to give any tight promises today, but I hope that he will give my constituents some reassurance. They have seen inordinately large sums go into the City of London, and they need some idea of when the money will be returned to them.

Many hon. Members have remarked on the fact that it will be those in our society with least who will find themselves paying for the expense incurred for so many years to come. You, Mr. Deputy Speaker, will be aware that this country only in the past few years finally paid off its debts to the US incurred under the lend-lease arrangements following the second world war. My constituents want to hear from the Minister about the extent and time scale of the moneys committed by the Government in the past fortnight. Are their children going to be paying additional taxes to pay for the bail-out, or their children's children? We need reassurance from the Minister about that.

I spent Saturday morning and afternoon knocking on doors in Thorngumbald in my constituency. It is a village on the A1033 east of Hull, and people there are a bit like the residents in the constituency of the hon. Member for Somerton and Frome. They feel very distant from the world of merchant banks, Lehman Brothers, Barclays, wealth and the rest of it, but they are aware that a dark cloud is coming towards them. They pay their taxes on time and always try to meet their obligations. They have been brought up not to borrow money that they are not confident they can repay, and they want to know what penalty they will pay because those in pursuit of vast wealth have gambled and lost. I hope that the Minister will address all the people, wherever they are in the country, who are sitting and worrying this afternoon.

On Saturday, the people in Thorngumbald repeatedly told me that this country has not been put in a strong position to weather the economic storm. They are starting to pick up on the fact that, although the problem is global, not every country has been affected the same. In some countries, the banks have been regulated more tightly. Regulators in those countries and, effectively, the head of finance—or in our case the Chancellor—have ensured a more prudential basis for lending by the financial institutions than there has been in this country. My constituents are aware that this country has been spending money based on a false boom and that the coming bust will cost them dear, and probably in their public services.

In particular, my constituents want Ministers to put up their hands and accept some responsibility. So far, that has not happened. When the Prime Minister has spoken about the crisis, he has sounded as though it had been visited on us from out of space, and as though he was not one of the world's leading financial secretaries, influencing colleagues around the world and working with them nearly every week on the problem of regulation in the financial markets. He has been in that position, and my constituents want to hear the Government accept some responsibility for the weaknesses in our system, whose results we are now seeing.

Colleagues have mentioned the fact that the Government promised an end to boom and bust, and that there would be stability for ever more. They note that the Prime Minister, who used to be the Chancellor, began to believe that he had some unique financial Midas touch that had been denied to all those who had ever served in that post. As so often happens, that hubris has been shown up as a hollow failure. The Minister would go a long way to reassuring people that they will be able to trust the Government more in future if, on behalf of the Government, he sounded a note of humility or apology this afternoon.

Other hon. Members have touched on the subject of accounting standards. In the EU, the European Commission is rapidly working up some proposals for changing accounting standards to tackle some of the systemic weaknesses in our system. May I suggest to the Minister that he work with colleagues to ensure that we do not look for any quick-fix solutions? We do not need the equivalent of Sarbanes-Oxley legislation to be visited on the City of London by a remote, unelected European Commission, when the British people are given no opportunity to vote out those who would be responsible for it. I ask the Minister to have caution in that regard.

There has been a great debate about whether the current crisis is a body blow to capitalism and free markets. It has been suggested that the global Thatcherite revolution that brought the end of socialism has hit the buffers, with people realising that, after the nationalisation of the banks and so on, we need greater state control. However, I do not believe that. We have had a failure of regulation—a subject to which I hope the Minister will return—but we have also had a form of depersonalised capitalism. The people in the City responsible for pension funds and the directors of our largest companies tend to work with, spend and risk other people's money rather than their own. It is the lack of personal accountability and ownership of assets at the very heart of the capitalist system that has contributed to the irresponsible behaviour of the past few years. That has been fuelled, as I have said already, by the former Chancellor's hubris.

My hon. Friend the Member for Chichester and the hon. Member for Somerton and Frome commented on the need to strengthen boards. Every time a problem threatens British business, Members of Parliament rightly want the boards of our companies to be strengthened. They believe that imprudence would somehow end if only we had more independent non-executive directors.

I have some sympathy with that view, but the real problem is that there is a herd instinct in our depersonalised capitalist system. It means that people do not keep their jobs, get appointed to other boards or remain as investment

analysts if they go against the herd. As a result, they all move together: they use other people's money, without being cognisant of the risks.

Useful though independent non-executive directors can be, that herd instinct places massive pressure and responsibility on the regulator. Only the regulator has the overall framework responsibility for ensuring that our financial system, and the entire economy on which it relies, is soundly maintained.

I have a number of questions for the Minister, but in particular I should like to know whether he agrees with my hon. Friend the Member for Chichester that the Chancellor of the Exchequer is ultimately responsible for the regulation of the UK economy and the risks that are taken. Nothing has shown so clearly as the events of the past few weeks how failures in that systemic risk management affect everyone in the country. It is essential that that responsibility is held, and is seen to be held, by an elected politician, in the form of the Chancellor of the Exchequer. I hope that the Minister will make a comment on that.

However, the problems that we have seen are not all due to greedy bankers or failed regulators. They are also down to a failure of personal responsibility—and many of us will have been guilty of this at times—with people borrowing money that they could not pay back. There has rightly been criticism of banks that have given 125 per cent. mortgages, but for every one of those there has to be someone who signs the form and pledges that the money will be paid back. It is important that we send out the message that all of us, not just those who lend the money but those who borrow it irresponsibly, accept some responsibility for what has happened.

One of the key principles behind creating a sounder system for the future will be that there must be greater transparency. We are all aware that the complex financial derivatives that have been created are often not understood by the directors of the banks trading in them. Most famously, of course, Barings crashed because of that.

The principle of transparency needs to be maintained across the system. So far, no Minister has explained why the Government, acting on behalf of taxpayers, are taking on those enormous liabilities but not making them part of the national debt. I hope that the Minister will explain that to the House this afternoon, so that we can understand it. Off-balance-sheet borrowing guaranteed by the taxpayer—Enron economics—leads, in the private sector, to prison sentences. In this country, now in the 12th year of a Labour Government, private finance initiative projects have gone ahead specifically because they are designed to keep borrowing off the Government balance sheets, even though the Government are ultimately responsible for that finance.

Mr. Stewart Jackson (Peterborough) (Con): Is my hon. Friend aware that, if we add the off-balance-sheet PFI scheme debts to the liabilities that now encumber every taxpayer in this country, it adds up to about 54 per cent. of the United Kingdom's gross domestic product? As he will no doubt be aware, the last time we had that level of public debt, which was under a previous Labour Government, the International Monetary Fund was forced to step in and insist on swingeing public expenditure cuts. Does he agree that that would be a very serious development, but that it is very likely to happen, unless the Government take drastic action in the next year or so?

Mr. Stuart: I agree with my hon. Friend, and in some ways I am even gloomier than he is. I feel that the costs are being masked. Ministers are suggesting that we will get all our money back. They have almost suggested that there will be a profit to the taxpayer as a result of the Government's intervention in the markets. I fear that there will be heavy costs for the taxpayer, and that the dark clouds will visit places such as Thorngumbald in my constituency.

The earlier Labour Government who my hon. Friend mentioned were, of course, in exactly the position that he described. We had to be bailed out like a third-world country, and there were swingeing cuts to public services. We all remember the unburied bodies, and the rubbish cluttering our streets, yet here we are again. It is the 12th year of a Labour Government, and the Bank of England is again running out of money, with the only option being to print more of it.

A Labour Government are impoverishing this country. Fortunately, a Conservative Government will come to power, but, unfortunately, they will yet again inherit an economic mess left behind by Labour utopian politicians. However, those politicians fail to deliver that utopia and, most importantly, spend the hard-working taxpayer's money. They always visit misery on those with the least. *[Interruption.]* Labour Members do not like to hear that. At the end of that 12-year period, the gap between rich and poor has actually widened. The gap between the educational outcomes of the poorest in our society and those of people at the top have widened under a Labour Government. Health inequalities have widened under this Government. The hon. Member for Glasgow, North-West (John Robertson) may want to laugh because of his arrogant assumed moral superiority to those of us on the Conservative Benches, but I am proud of the fact that health, education and wealth gaps were narrower when we left power than they are today. That is before the cost of the Prime Minister's spending spree and irresponsibility is taken into account. However, it will come home to roost, and will have to be paid for by the British taxpayer.

I would like the Minister to comment on the issue of transparency, and on the need to declare, on the Government books, the liabilities that the Government are taking on. In a similar vein, it is absolutely essential that we have some idea of the risks that are being taken. What is the extent of the liabilities? I know that the Chancellor was asked whether any limit would be put on liabilities. The Economic Secretary to the Treasury, when winding up yesterday's debate, said in response to that question that the Government would "do whatever it takes", repeating the mantra of the Prime Minister and the Chancellor. Is there to be no limit to the liabilities to which the Government are prepared to sign up, and no limit to the number of future generations who will pay additional taxes because of the bail-out, which resulted from the Government's failure of regulation? I hope that the Financial Secretary to the Treasury can reassure us on that point, because the issue should not, and cannot, be avoided. The House needs to hold the Executive to account, and if it cannot do so on the issue of vast liabilities, it really serves no purpose at all. The various hon. Members who commented on that point this afternoon were right to do so.

I hope that the Minister will answer the question on Lloyds TSB and HBOS. The issue has been mentioned by others, so I mention it only in passing, but to repeat

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the argument briefly, the whole reason for bringing the two banks together, and for ignoring competition regulations, was to stop HBOS from failing, and to prevent a domino effect in the wider financial community. Now that the Government have intervened, that rationale is no longer there, and there will be loss of competition on the high street. If the Minister cannot give an answer today, please will he work with his colleagues on the matter and bring some common sense to it? It cannot be right for the consumer to have less choice on the high street while the state is intervening in our banks.

I hope that the Minister will allow me to ask him this once again: what advice was given to local authorities? Why did so many of them leave their money in the Icelandic banks? The hon. Member for Somerton and Frome said that none of them could be blamed for doing so, and he may well be right, but when I telephoned my mother a few days ago, she said that she had considered the Icelandic banks. She had looked at their interest rates, which were very attractive, but thought that they looked a bit too good to be true, so she stuck with the Royal Bank of Scotland, with which she has shares. Admittedly, she said that she was equally disappointed with it. She accepted a lower rate of interest because she reckoned that if an offer seems too good to be true, it normally is, and that if one has savings that one cannot afford to lose, one should put them somewhere sensible and safe. She thought that the Royal Bank of Scotland was sensible and safe, and I hope that it will be in future. I would be interested to hear from the Minister on that point, and on why so much public money was invested with those Icelandic banks.

I know that the Minister is aware that local authorities face a real crisis in social care provision. Already, people with moderate needs have lost their right to social care in the home. I have disabled constituents who can no longer get any support from the local authority because their needs are not severe enough; only those with critical or severe needs are getting that care. The loss of local authorities' money might lead to the withdrawal of even more of that social care. I know that Members on both sides of the House will spend time each week working constructively with their local council to try to ensure that vulnerable people get the support that councils struggle to provide from their budgets. I hope that we can count on that.

I should declare an interest, as I am still an owner and director of a small business. I remember talking to others who ran businesses, whether in the pub or elsewhere, about the rapacious, greedy, fat, selfish, lazy banks and how they dealt with most small businesses. I always used to say, "There's only one thing worse than lazy, fat, rapacious, greedy banks, and that is bust ones." Banks may behave in the way that I describe, and they may, as the old saying goes, offer you an umbrella only when the sun is shining, but at least when they are in business they can lend money. In answer to the question asked by the hon. Member for Somerton and Frome, to whom I seem to be referring constantly, banks are in a different category. Without them, British business does not survive and prosper. The main banks therefore cannot be allowed to fail. That has been shown in the past weeks by the Government's action. The question is how the Government will ensure quid pro quo. How will they ensure that the banks are regulated and carry out their business prudentially? How will they ensure that there is no loss of creativity or innovation? We would not want that. So I welcome the fact that the banks are being saved, because they are absolutely necessary.

I forgot to mention Equitable Life, and many of my constituents have written to me on that topic. Within the billions of pounds that are being spent to sort out the financial system, surely it would be right to rectify the injustice that has been visited on so many people who tried to be prudent. They saw Equitable Life as a safe place for their money. They had researched the matter, and they were not being greedy and wanting the highest possible returns. They had looked to place their money somewhere sound and safe, and they felt that they had had promises from Governments, Conservative and Labour, that regulation would protect them. As the Financial Secretary well knows, they have not been protected. The ombudsman found against the Government and those people cannot believe that this Labour Government, who claim to deliver justice for people, can continue to ignore their righteous pleas for fairness.

The other comment that I remember from the streets of Thorngumbald on Saturday was from someone who said, "Surely your priority"—they see me as part of this place and of government in all its forms—"should be to protect those who are trying to pay their mortgages?" I agreed, and he asked, "Why then are you spending hundreds of thousands of pounds of taxpayers' money through the EU on a pay-off for the new Trade Secretary who has voluntarily moved to a new job?" How can that be right, especially for the Labour party, which claims to be on the side of ordinary people like my constituent, who is struggling to pay his bills and his mortgage?

3.30 pm

Mr. Timms: We have had a wide-ranging debate, and several points have been made to which I wish to respond. I shall aim to do so briefly, given that I opened the debate. I wish to emphasise again that the motion has two parts. The first part is designed to replenish the contingency fund, which has been drawn on for the reasons that I set out. On a technical point, I should clarify a matter raised by the hon. Member for South-West Hertfordshire (Mr. Gauke). We are not drawing on the contingency fund for the recapitalisation programme. At £37 billion, that is much larger than the entire contingency fund. So the first part replenishes the fund after the calls that were made on it because we think that it would be imprudent to wait until the normal point of repayment late in December. We want to replenish it now, in case we want to make further calls on the fund over the coming weeks.

The second part of the motion is in respect of the additional capital required—the £37 billion—for bank recapitalisation. Several hon. Members have queried the way in which that sum will be treated in the national accounts. It will be for the independent Office for National Statistics to make that judgment and decide how the deals will be classified in the public finances. In the case of Northern Rock, the decision was that the figures should count as part of the public debt, but the ONS will also decide how the subsequent deals should be accounted for.

It is worth underlining the fact that the impact for the taxpayer and the public finances will be exceptional. It will mainly be temporary, but the liabilities being placed on the public sector balance sheet will be backed by financial assets. Our view—and it is widely shared by, for example, the Institute for Fiscal Studies in its comments on this issue in recent months—is that the sums should not be counted in our assessment of fiscal sustainability against the sustainable investment rule. We will, of course, produce an update on where we stand against the sustainable investment rule at the time of the pre-Budget report, and all the figures will then be in the public domain. Not to have taken action would have exposed the taxpayer to greater risk, and that is the basis for the package that we have put before the House.

In the debate, the hon. Member for South-West Hertfordshire and others mentioned the relative proportions of preference shares to ordinary shares. We did say last week that the Government would also consider acting as underwriter for ordinary shares, so the announcements that we have made are in line with that. Following detailed discussions between the Treasury, the banks and the FSA, it became clear that it would be necessary to build up the core tier 1 capital ratio in the banks that intended to take advantage of the arrangements that we had proposed. That required the proportion of preference shares to be limited. The desirable proportions of preference shares to ordinary shares have appeared in the announcements, and Opposition Members have read out the numbers of preference shares and ordinary shares for the three banks taking advantage of recapitalisation.

Mr. Gauke: If the Financial Secretary is saying that it was necessary to make the arrangements in the way in which the Government have with the proportion of ordinary shares that he has set out, why was that not clear when the deal was reached at 5 o'clock in the morning on Wednesday? That supports the widely held view that the deal was put together quickly. My hon. Friend the Member for Chichester (Mr. Tyrie) has pointed out the lack of preparation for recapitalisation.

Mr. Timms: Events certainly moved very quickly, and the Government had to respond very quickly. The conclusions that were reached and the precise figures that have been quoted in debate were the outcome of detailed discussions and analysis between the parties to which I have referred. I think that the judgments were right. We made it absolutely clear last week that we were open to underwriting ordinary shares as well. The package reflects not, as has been suggested, memorandums and articles, constraints or things that were not clear at the outset, but an assessment of the position in each of the institutions.

Mr. Tyrie *rose*—

Mr. Timms: I cannot give way that often, but I will give way to the hon. Gentleman.

Mr. Tyrie: I am grateful to the Financial Secretary for giving way. Will he say when he first saw a worked-up plan for bank recapitalisation?

Mr. Timms: The hon. Gentleman knows that I returned to the Treasury only 10 days ago. [HON. MEMBERS: "Hear, hear."] I am grateful to my hon. Friends and others for their support—one or two Opposition Members have made some kind remarks, for which I am grateful. I did not see anything before I returned to the Treasury. Indeed, I did not see the hon. Gentleman's article, so it was interesting to hear his comments. One can only wish that he had a greater degree of influence over Conservative Front Benchers when they reflect on these matters.

We thought it important to safeguard the interests of taxpayers. The directors, who will appointed by the Government, will be qualified and independent, and they will not be civil servants. I see no reason why, for example, they should not sit on remuneration committees, which picks up a specific point raised in the debate. There will be no cash bonuses for directors this year, which is right.

There has been a little bit of misunderstanding around the point that we do not want to return to the 2007 volume of lending. Lending has completely stopped to important parts of the economy, and we want it to resume. We want it to be available as it was in 2007, and we want to see marketing and competitively priced products.

Mr. Bone: I am grateful to the Financial Secretary for remaining in the House for the whole of the debate. Having heard what he has said, the documents must be changed, because they clearly require lending to return to the 2007 level or more for three years. I do not know whether he has given an undertaking to change the offer document.

Mr. Timms: The hon. Gentleman is right about three years. We want to see lending start up again, because it has completely ground to a halt. Last year, there was lending to small businesses and home owners, and we want that to be in place again. As he has rightly said, we have required it for three years.

The hon. Member for South-West Hertfordshire asked about the details of the £600 million. It is probably true that those have been given on the Floor of the House for the first time in this debate. However, earlier this week my right hon. Friend the Chancellor set out the details in a written statement. We made a payment to ING Direct for amounts in the Icelandic banks not covered by the Financial Services Compensation Scheme; that is how the £600 million figure arose.

The hon. Gentleman asked about the increase in repossessions by Northern Rock. Northern Rock is managed at arm's length from the Government on a commercial basis; its repossession policy is a matter for the bank itself. In passing, however, I should point out that, at 1.18 per cent., Northern Rock's residential arrears level is below the average among UK members of the Council of Mortgage Lenders.

We are setting up an arm's-length company to manage these taxpayer investments. Investment decisions will be made on a wholly commercial basis; there will be no ministerial interference of any kind. The company will be managed transparently and it will report regularly to Parliament. The Government-appointed directors to the banks will be independent and non-executive.

The hon. Member for Twickenham (Dr. Cable) made a characteristically thoughtful contribution to the debate. I want to pick up on a specific point that he made. In due course, the Government will lay an order relating to

[Mr. Timms]

compensation for shareholders and others whose rights may have been affected by the transfer of Bradford & Bingley into public ownership. I did not hear the debate that the hon. Gentleman had on the radio this morning, but we will bring that measure forward.

The hon. Member for Gosport (Sir Peter Viggers) made some interesting points; he has made a number of interesting interventions in the debates of the past couple of weeks. It is very difficult to value illiquid assets in the context that we are talking about. The hon. Gentleman referred to his experience at Lloyd's. There is a real problem with asymmetries of information. If the taxpayer proceeded on that basis, they would be almost bound to lose out. However, the different arrangements that we have announced and that have been widely supported—and copied elsewhere—allow taxpayers to benefit from the upside.

It being three hours after the commencement of proceedings on the motion, MR. DEPUTY SPEAKER *put the Question, pursuant to Order [14 October].*

Resolved,

That, for the year ending with 31st March 2009, for expenditure by HM Treasury—

(1) further resources, not exceeding £1,000, be authorised for use as set out in HC1061, and

(2) a further sum, not exceeding £42,200,000,000, be granted to Her Majesty out of the Consolidated Fund, to meet the costs as so set out.

Ordered,

That a Bill be brought in on the foregoing resolutions: And that the Chairman of Ways and Means, Mr. Chancellor of the Exchequer, Yvette Cooper, Stephen Timms, Angela Eagle, and Ian Pearson do prepare and bring it in.

CONSOLIDATED FUND (APPROPRIATION) (NO. 3) BILL

Mt. Stephen Timms accordingly presented a Bill to authorise the use of resources for the service of the year ending with 31 March 2009 and to apply a sum out of the Consolidated Fund to the service of that year; and to appropriate the supply authorised by this Act for the service of that year: And the same was read the First time; and ordered to be read a Second time this day, and to be printed. [Bill 148]

CONSOLIDATED FUND (APPROPRIATION) (NO. 3) BILL

Order for Second Reading read.

Question, That the Bill be now read a Second time, *put forthwith, pursuant to Order [14 October] and Standing Order No. 56 (Consolidated Fund Bills), and agreed to.*

Bill accordingly read a Second time.

Question, That the Bill be now read a Third time, *put and agreed to.*

Bill accordingly read the Third time, and passed.

Local Government

3.44 pm

The Minister for Local Government (John Healey): I beg to move,

That this House has considered the matter of local government.

I welcome this debate on local government and look forward to the contributions that hon. Members on both sides of the House look set to make.

The Department for Communities and Local Government does what it says on the tin. We are committed to local government delivering for communities. We challenge local government to be the best that it can, and we champion local government because we believe that it has a vital role to play in the way that our country and our communities prosper.

Mr. Charles Walker (Broxbourne) (Con): Will the Minister give way?

John Healey: I am very early on in my speech, but I am delighted to give way to the hon. Gentleman.

Mr. Walker: The Minister referred to championing local government. As he will know, local authorities of all complexions are struggling with losses as their money is locked up in Icelandic banks. Can he assure the House that he is helping counties such as Hertfordshire and Kent to get their money back from those banks and that he is working closely with the Chancellor to ensure the right outcome in the next few months?

John Healey: I can indeed. I am working closely not only with Treasury Ministers and the Treasury but with the Local Government Association and local government itself. If the hon. Gentleman will forgive me, I will deal with the position of councils and the Icelandic banks later, having met the LGA and Treasury Ministers earlier this afternoon.

Some may ask why local government is important when the eyes of the country are on national Government and international governance during this global economic crisis. In these circumstances, local government is even more important. It touches people's lives—from keeping streets clean, maintaining parks and open spaces and collecting rubbish and recycling, to providing schools and care for the elderly. Local authorities run the services that people see and need every day.

Mr. Graham Stuart (Beverley and Holderness) (Con): Will the Minister give way?

John Healey: Of course.

Mr. Stuart: I am extremely grateful to the Minister, who is as gracious as ever.

On supporting the elderly, the biggest challenge facing local government is the provision of social care for an ageing population. The hon. Gentleman will be aware, not only as a Minister but from his constituency work, that in many cases only those with serious or severe needs receive support in their homes from local authorities. Will he comment on that and on his plans to ensure that local government can be there to help people when they most need it?

John Healey: Again, I can give the assurance sought. The hon. Gentleman is right: the population changes that we face over the next decade or two, and the changes in the population profile, pose enormous challenges for us all. That is why we are preparing a Green Paper to open up some long-term debate on this. It is why we commissioned an independent review of the guidance on how the entitlement is working in local authorities. It is also why, as he will have noted, when we were able to set the three-year spending review for local government for the first time ever, the authorities with social care responsibilities rightly saw the biggest increases in their budgets over those three years. When we combine the contribution of our formula grant with the grants that the Department of Health is making for these services, we see that over these three years there is a real-terms increase of about 6 per cent. each year for those authorities and for those services. In the longer term, that will not be enough, because the population pressures that the hon. Gentleman rightly mentions require us to rethink how we design, fund and deliver social care for the adult population, particularly for the increasing numbers of elderly people.

Mr. Graham Stuart: I am grateful to the Minister for mentioning three-year financing. Am I right in thinking that the level of finance going to local authorities and thus to social care is a fraction of that given to health? He said that attempts to create a joined-up system between health and social care will be looked at in the rethink. Will we try to ensure that those areas move together? It would make no sense to pour extra funds into health while a great deal less goes to social care, which is often just as needy.

John Healey: I hope that we will have something of a debate, as well as a discussion, but the hon. Gentleman is right. We see throughout the country that local authorities and parts of the health service, particularly go-ahead primary care trusts, are looking to create a joint budget and to joint-plan and joint-manage the sort of services that people need. In the end, people need the services that they need; they do not much care about which agency is responsible for delivering them. That institutional divide should not be apparent to them, and we should make every effort to reduce it further.

Mr. Hugo Swire (East Devon) (Con): I entirely agree with what the Minister is saying. The provision of care, particularly long-term care, is of no consequence to those receiving it—other than that they get it—but the Minister will have to think long and hard with his Treasury colleagues about the impact of the economic downturn. In my constituency, we have an elderly population, a lot of whom are cared for in the longer term by social services, but a lot are privately cared for, and an element of them will no longer be able to afford to pay fees for nursing homes, care homes and so forth, so they will be necessarily thrown back to the public sector. What assessment is the Minister making of long-term care provision for elderly people as a result of the economic downturn?

John Healey: The hon. Gentleman anticipates an area of my remarks that deals with the impact of the credit crunch and the pressure on local government. If he and other hon. Members will forgive me, I shall make a little progress to get to those points. If they feel that I have not adequately covered them, I will give way again.

Local government is important because it affects and touches directly people's lives. Local government knows its area. It knows what affects its residents and what concerns them most. It also spends our money, and more than a quarter of public sector spending is spent through local authorities. It would be a mistake for anyone to overlook the capacity, authority or influence of councils. Beyond that, I believe strongly that in this day and age, no part of Government—no Department or agency—can deal with the challenges it faces, or deliver the services it is charged with, on its own. The Home Secretary's local policing pledges, the jobs ambitions of the Secretary of State for Work and Pensions, and the skills aims of the Secretary of State for Innovation, Universities and Skills all increasingly require the alignment and the effort of others.

No part of Government can any longer deliver a centralised and standardised service if it is to meet successfully the needs, aspiration and performance required in widely differing local areas, and no part of Government can any longer deliver successfully without considering the contribution of local government.

David Howarth (Cambridge) (LD): The Minister talked about the interaction of various Departments with local government and we have seen two particular schemes—one from the Department for Culture, Media and Sport on swimming and the other originating, I think, from the Department for Transport on concessionary fares—where the funding formulas have been extraordinarily crude and inappropriate, especially for two-tier local government. Can the Minister explain to the House the procedures for ensuring that when Departments other than his own deal with local government, they do so in a way that makes sense for local government, and that they consult his Department before they make detailed funding proposals?

John Healey: I can indeed. The Government have a principle of new burdens financing. It is one that the Secretary of State worked hard to insist upon with strong support from the Treasury. If any other Department or Secretary of State wishes to see things done that place a new burden of activity with new cost on local government, they pay for it. In the case of the concessionary travel, which was widely welcomed across the country, local authorities are receiving an additional £212 million this financial year to pay for the additional right for elderly people to travel free on buses, not only in their local authority area but anywhere in the country. *[Interruption.]*

Mr. Andrew Turner (Isle of Wight) (Con) *rose—*

Daniel Kawczynski (Shrewsbury and Atcham) (Con) *rose—*

John Healey: I am clear that I did not misunderstand, but I shall give way to the hon. Member for Isle of Wight (Mr. Turner).

Mr. Turner: The hon. Member for Cambridge (David Howarth) was worried not about the effect on the whole package, but the funding formula.

John Healey: If the hon. Member for Cambridge (David Howarth) checks *Hansard*, he will read that he raised two concerns in one intervention. He mentioned

[John Healey]

the formula, and the answer to that point is simple. We held extensive consultation before this financial year, which included the Government's responding to local government's points. Local government wanted the funding for the additional part of the free travel right to be provided, not through the formula grant, in which we had already invested, but through a specific grant to local authorities. We have done that.

Daniel Kawczynski: The Minister stated that £212 million extra will be provided for concessionary travel and he also said that the Secretary of State for Transport should provide extra capital straight away. Why, therefore, was that funding unavailable last year, when taxpayers in Shrewsbury had to subsidise the local concessionary bus travel?

John Healey: The hon. Gentleman is wrong. Funding was available last year and the previous year. Two years' funding went into the formula grant—I believe that the amount was around £360 million. The money was available and given to local government. At that stage, it was designed precisely to fund for those two years the right of elderly and disabled people to travel free on buses in their area. As a result of the consultation—the hon. Member for Cambridge asked me how we went about that, and I told him—local government wanted the additional money to be paid instead through a specific grant to local authorities. We are doing that, and we consulted about the basis on which to do it. Clearly, there were options and we chose the one that we regarded as likely to produce the best result. However, no one could say with certainty before the introduction of the new right precisely how people would respond. The Secretary of State for Transport and I believe that, with £212 million this year alone to fund the additional right to travel free, there is enough money, according to anybody's best modelling, to cover the costs to local authorities.

Mike Penning (Hemel Hempstead) (Con) *rose—*

Mr. Andrew Turner *rose—*

Daniel Kawczynski *rose—*

John Healey: I shall give way.

Mike Penning: To which Member?

John Healey: I give way to the hon. Member for Hemel Hempstead (Mike Penning), because he has not yet intervened and he should have his turn.

Mike Penning: The Minister is generous. Does he realise that another matter is causing concern? Bus companies are encouraging my constituents to take out the free concessionary pass, regardless of whether they will use it, and charging the local authority £30 to do that. There is no point in issuing the pass to those who will not use it. If they intend to use it, it is wonderful, but if not, the bus companies get free money, which costs my constituents and the Treasury.

John Healey: The hon. Gentleman makes a specific point about his local area, and I am happy to ensure that the Secretary of State for Transport considers it.

David Howarth: Many Opposition Members are trying to make a point about the distribution formulae, which seem constantly to disadvantage specific sorts of authority—namely, those that provide many services to the surrounding area and to people who do not live in the local authority area. That means that local authorities with swimming pools provide swimming services to people outside their area, yet the funding formula gives them no credit for that. Those authorities also effectively pay for the bus journeys of people from outside their district. I do not want to seem ungrateful for the money—the total is very welcome—but the accumulation of the same error, affecting the same authorities over and over again, should surely be looked into.

John Healey: I do not accept that there has been an accumulation or repetition of the same error. We have done our best in consultation to reflect the likely demand in areas such as Cambridge, which are places to which people will wish to travel, particularly with the new right to free bus travel.

Mr. Andrew Turner: The problem facing the Isle of Wight, which is not subject to people travelling in from outside, at least not by bus, anyway—*[Laughter]*—is that normally we pay about £2 million towards the cost of travel for elderly people, but that has increased to £5 million. Can the Minister say whether he would be willing to look into that for the rest of this year, so that a new sum could be agreed that was nearer to £5 million, which is the cost of providing bus travel for elderly people?

John Healey: I have seen some of the estimates of projected cost from local authorities, which understandably want to make the case for their area. Of course Ministers are watching and want to receive reports on how patterns of travel appear to have been affected by the new right. We want as many people as possible to take up the new right, so we will do what the hon. Gentleman encourages us to do. However, I do not want to raise any expectations among local authorities, not least on the Isle of Wight, that when the picture is clearer as a result of that work they may be in line for extra money. A significant amount is going in this year, next year and in the third year of the current spending review, precisely to cover the cost of the new entitlement.

Let me return to a point that was raised earlier. Local government is not immune to the credit crunch. Like families, firms and central Government, councils too must tighten their belts. Local government faces direct pressures as a result of the credit crunch, as well as the rising cost of fuel and other goods. It is more expensive to borrow, which has implications for local authorities, as it does for everyone else. Some councils report losing revenue from planning fees, for instance, as fewer applications are made for building projects. Finally, some councils also report increased demand for local government services and support. All that is happening within a tight financial climate.

Let me turn to the consequences of the collapsed Icelandic banks. The Government have had two priorities. Our first is to do everything that we can to help councils, alongside other creditors, to get back the money that

they had in the Icelandic banks. Our second priority is to work with the Local Government Association to assess the position, council by council, and agree action that we will take together where some are struggling. Indeed, along with the Economic Secretary to the Treasury I met local government leaders earlier this afternoon.

As things stand, the LGA reports that there are 116 local authorities with £858 million in deposits in the four collapsed Icelandic banks. The LGA also tells us that 13 local authorities have reported that they might face short-term difficulties, but that they have no reason to think that wages will not be paid or that services will be put at risk.

However, we want to be clearer and more confident about the position of these councils, and we want the message to go out that councils that could have severe short-term problems will not be on their own. I can therefore report to the House that financial experts are going into three authorities today, and that the LGA and I expect initial reports by the end of the day. Experts will continue to work with those councils after that. Specialists are also contacting the other 10 authorities today, and offering to help them to assess their position and their options. The Government and the LGA will provide further expertise to those councils if necessary.

Daniel Kawczynski: At the end of the day, one has to ask oneself why those councils invested taxpayers' money in an Icelandic bank. Shropshire county council and my local borough council were under the same pressure to maximise the return on their investments. Fortunately, however, they did not make that mistake. Why does the Minister think some councils in our country are having to invest their money abroad? Is it not simply because they are not getting enough from the Government?

John Healey: In 2004, fresh guidance was put in place for local councils considering their investments. Those authorities were not under pressure to maximise their investments, as the hon. Gentleman puts it. They were required to make investments prudently, and to give the highest priority to the security and liquidity of the investments that they made, and only then to consider yield in that context, and only to the extent that it was consistent with security and liquidity. I hope that that addresses his point.

Robert Neill (Bromley and Chislehurst) (Con): The result of the Minister's discussions has already started to be reported in the media. For the sake of openness, and to prevent rumours from going around, does he think it is now appropriate to tell us which local authorities are in that difficult situation? Furthermore, the level of exposure is sometimes now quoted as having moved up to about £950 million. Is it not time for the Government urgently to publish a comprehensive list not only of the local councils affected but of all the other authorities involved, including fire and rescue authorities, housing associations, regional development agencies and local authority-driven private finance initiative projects? As he rightly says, there is much collaborative working in the local government-related sector, and we really need a comprehensive understanding of all the exposure in the sector. We do not have that yet.

John Healey: That is precisely what we are working with the LGA to achieve. Having met its representatives just before this debate started, I can confirm that the figure they gave me was their best available figure, and that the current position is that £858 million has been invested by 116 local authorities, including fire and police authorities, in those four collapsed Icelandic banks. Our job, and our top priority, is now to work with the LGA to ensure that any council that reports that it might now face short-term difficulties is not left without support. That is why we are stepping in immediately to the 13 that have reported that they might face such short-term difficulties. As I have said, financial experts are going into three of those councils this afternoon, and the LGA and I expect an initial report by tonight. Those experts will then continue to work with those councils. Specialists are contacting the other 10 councils today, and offering to help them to assess their position and their options before reporting back to us.

Julia Goldsworthy (Falmouth and Camborne) (LD): I am listening carefully to the information that the Minister is giving us. Clearly, things are moving on with every hour that goes by. He has still not answered the question asked by the hon. Member for Bromley and Chislehurst (Robert Neill), however. Why is he choosing not to reveal the names of the local authorities at this stage? People will be concerned that, although we were initially told that no council had done anything reckless and that no one would suffer short-term problems, we are now hearing that some people might. We appear to be hearing this information after the event, rather than in advance. To continue that theme, may I ask the Minister how many authorities the LGA is waiting to hear back from? If it has not heard from certain authorities, is not that a reason for concern?

John Healey: The LGA is pretty confident that it has the full picture, but that will change as the nature of these investments becomes clearer, and particularly as the dates of their maturity become clearer, as the consequences may be different for different councils.

I would like to identify these councils, but I am not in a position to do so this afternoon. The reason is that those councils provided the information to the LGA, which then shared it with us, but it was given in confidence. It is in everyone's interest—and not least in the interest of having an open and full debate in the House and elsewhere—to identify the councils, but it is equally important to have discussed the issue and cleared it with those councils first. That is our first duty. The second duty then becomes ensuring that the information is made public as soon as possible so that people can see what action we are taking, form their judgments of it and, if that is what they feel, urge us frankly to do more.

Mr. Eric Pickles (Brentwood and Ongar) (Con): The hon. Gentleman is being very gracious in giving way. I understand his position on disclosure because we are in the same position in having a list of roughly 116 councils and we will not release the information until the Government do, for the same reasons. There comes a point, however, when it is better to release than not to release. A number of people who do not understand local government finance may become unduly concerned about cuts in services and reliability, which is why it would be better for the information to be out in the open. Is the Minister relying on the LGA to look at housing associations, PFI bids and regional development agencies; and if not, where is he getting that information from? I crave his indulgence for a few seconds longer

[Mr. Eric Pickles]

and ask him to outline the sort of remedies that will be applied, involving the release of payments both from and to the Government, so that taxpayers can have a reasonable assurance about what is likely to be available in respect of indebtedness.

John Healey: I will do my best to answer that triple-pronged intervention. First, I am grateful that the hon. Gentleman and his party adopt the same view as I do on disclosure. I share his view that it is important to be able to disclose and debate the issue fully and I hope that the LGA will be in a position to disclose that information so that we can all do so shortly. Secondly, we in the Department are beyond the local authorities, ensuring that we can gather the information about the position of other bodies that the hon. Gentleman mentioned.

Finally, I have been clear from the outset, as I was with the LGA last week, that the first and most important step is to get financial experts into any councils that may face short-term difficulties in order to assist with their position, clarify their options and deal with any implications. If necessary—it is not necessary to speculate on this at present—we will look at the financial flexibilities that might be required to help the councils to deal with the situation. In the past, we have been able to do a number of things for councils that, for different reasons, faced severe financial difficulties. We are ready to consider the case for taking such steps again, as and when required, but it is important to do so on a council-by-council basis rather than look towards some generalised bail-out or underwriting of all local government deposits.

Julia Goldsworthy *rose—*

Mark Hunter (Cheadle) (LD) *rose—*

John Healey: I give way to the hon. Lady first and then to her hon. Friend.

Julia Goldsworthy: I am grateful. The Government's response to the banking crisis has included a backstop and I wonder whether the Minister and his Department should make it clear that the same backstop will be there for local authorities as well. Even if there is no underwriting of debts, the Minister should perhaps clarify that capitalisation of any debts that cannot be recovered would provide a way forward for some councils that are unable to recover their deposits. Then, at the very least, council tax payers can be assured that they will not see in-year cuts or significant increases in council tax in the future in order to pay off any losses in one go.

John Healey: Capitalisation is a step that we have taken previously when councils have faced severe financial problems. If councils found themselves in such circumstances as a result of the problem with the Icelandic bank deposits and there was a case for doing so again, we would of course consider it.

Mark Hunter: The Minister has referred repeatedly to financial experts from the Department offering help to local authorities that have found themselves caught up in this crisis. Speaking as a former council leader, I am sure that councils would welcome any help and support that the Government are able to offer, but may I ask the Minister about another form of financial expertise which, although it has not been mentioned so far today, is central to the subject we are discussing? I refer to the consultants who have been giving advice to local authorities about their investments in Icelandic banks. Does he share my concern about that advice, and does he agree that his Department ought to hold an inquiry into it to establish whether there are—as many suspect—direct links between its quality and consistency and the investments made in those banks in Iceland?

John Healey: I do not accept the case that the hon. Gentleman is making. As Local Government Minister, I am responsible for the investment guidance that provides the framework within which local authorities, drawing on advice that they regard as sufficiently expert and informed, make their own investment decisions.

In 2004, we changed the system that had previously involved central Government telling councils which institutions they should and should not invest in. As I said earlier, important local authorities now have access to good professional advice. Many have well-trained and qualified people on their staff.

Local authorities are now well-informed investors and are in a position to make and explain judgments, including judgments on whom to use for advice and information. Ultimately, the Government's responsibility is to ensure, through the general requirements set out in our investment guidance, that they invest prudently and give proper priority to the questions of how safe and how readily redeemable the cash will be. In other words, the guidance makes it clear that they must make security and liquidity their top priorities.

David Howarth *rose—*

John Healey: I give way first to my hon. Friend the Member for North-West Leicestershire (David Taylor).

David Taylor (North-West Leicestershire) (Lab/Co-op): I was actually waiting to intervene on the subject of housing in a moment or two, but, as a member of the Chartered Institute of Public Finance and Accountancy, may I suggest to the Minister that local government is better supplied with top-quality accounting and financial advice than the civil service? I am not being sarcastic. It is clear to anyone who examines the availability of professional people at the top levels of the civil service that those in local government are better qualified than those in central Government to reach a conclusion about these matters.

John Healey: My hon. Friend made the same point to me when I held other ministerial posts, commenting—from a highly qualified and expert viewpoint—on the professionalism in some parts of central Government, particularly in relation to financial affairs. In many ways, our responsibility in central Government is similar to that of local authorities as defined by the hon. Member for Cheadle (Mark Hunter). We must ensure that we can pick, and draw on, the best possible advice. If we do not have it in-house, we must ensure that we have access to it from outside.

David Howarth *rose—*

John Healey: I will give way once more, and then I must continue my speech.

David Howarth: The Minister mentioned the guidance issued by central Government, which does not strike me as particularly specific. Authorities are advised to take into account security and liquidity, and then to obtain the best return that is possible given those two concerns. However, it seems that the Government have made a judgment on whether or not local authorities acted recklessly. Do the Government believe that trading on a single A rate for long-term debt and an F1 rate for short-term debt was all right or not at the time?

John Healey: All I can say to the hon. Gentleman about that is that, as far as we have seen, there has been no clear evidence that local authorities acted recklessly in the investments they made in these four Icelandic banks.

Let me say this to Conservative Members: in the current economic circumstances more than ever, an ideology that drives arguments about a smaller state that does less in the modern world would fail the country and would fail the people who need support now and need confidence for the future. The current problems underline the need for active government and an active public sector to protect the poorest, to correct flaws in the market and to exert the sort of leverage needed to secure the proper role and contribution of the private sector. That is true now, in the current economic difficulties, and it is also true in the future for the long-term success of the economy in all parts of the country. This means we in central Government must give more strength to the leadership in local areas and give more scope to local authorities to set the priorities for their area.

David Taylor: The Minister knows I have considerable respect for his talent and his integrity, and I welcome the promotion to Privy Council status that he enjoyed a few days ago. Nevertheless, I have yet to hear in his contribution of the last 37 minutes the facts to bear out his opening remark that central Government have a considerable respect and regard for the potential of local government. I cite the example of housing, and ask whether he—or his ministerial colleague in winding up—will attempt to justify the rationale for excluding local authorities from the direct provision of affordable, decent, well-managed housing within an accountable framework? That is not what we have at present; instead, local authorities—such as that in north-west Leicestershire, with its 4,700 tenants—are currently testing the waters on coerced stock transfer. This is not a vote of confidence in local government's ability to shape the priorities for the areas for which it is responsible, and I greatly regret that.

John Healey: In fact, we have recently been changing the circumstances; we have been changing the potential, including for local authorities to begin to build again. If my hon. Friend wants further information on that, I am sure the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Tooting (Mr. Khan), will deal with it when he winds up.

David Taylor: The point is that local authorities should operate on the same level playing field as housing associations. If they have demonstrated a capacity, a track record and the experience to manage properly decent housing stock within their area, why are they not able to access the funding that is routinely and automatically given to housing associations if a stock transfer has occurred? That cannot be justifiable, either politically or financially.

John Healey: In the current circumstances, we are ready to rethink, and to reinforce the role of local authorities in the provision of housing and in support for people who need some help to stay in their homes. My hon. Friend will have seen some evidence of that in the housing support package we announced several weeks ago.

My hon. Friend has also challenged me to demonstrate how central Government show their respect for the importance of local government. I simply say to him that there have been 11 successive years of above-inflation increases in Government grant to local councils. He, more than anyone, will recognise what a sea change that was after 1997, when the previous three years had seen a year-on-year real-terms cut in central Government funding for local government.

The job is not done, which is why this year an extra £2.7 billion is going into local government. Next year there will be an extra £3 billion, and the year after that a further £3.15 billion on top. That means that every council in every part of the country will get an increase in its core grant from the Government in each of the next three years.

This is not just about the amount of investment that we have made in local government. We have also put in place the first ever three-year funding settlement, so local authorities now have greater certainty and greater flexibility to make long-term plans and investments. Neither is it just about the three-year certainty of the core grant. Alongside that, last November and this February I was able to confirm 61 specific grants from seven different Departments, also for the three years of the current spending review period. Local authorities now get 43 grants paid in a single sum each month through the new area-based grant, with no strings attached to how they spend it.

On top of that, ring-fenced restrictions on the spending of an extra £5 billion over the three years are being removed, giving local government more money and, crucially, more flexibility to make the decisions that are necessary and right for a particular area. We have also reduced the staggering 1,000 or so performance indicators required of local government to just under 200.

On the other hand, we can examine the recent period and say that local government has responded with its own achievements. It has responded on service standards, with the Audit Commission showing four out of five authorities now rated good or excellent and three out of four improving well or strongly. Of course, for the second year running none is in the lowest performance category. It has responded on setting this year's budgets, with the average council tax rise at 4 per cent., the second lowest since the tax was introduced 15 years ago. It has responded also on council tax collection rates, which are up for the eighth year in a row.

Finally, local government is making the running on efficiency. I was able to announce last month that the local government efficiency gains from the 2004 spending review period totalled £4.3 billion. Three quarters of that saving has directly released cash for reallocation to

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local priorities or to help to hold down council tax. That has been good news for households feeling the bite of the credit crunch, and it is the equivalent of £193 off the average band D council tax bill.

Of course, local government can and must do more. Satisfaction with council services is decreasing despite a significant increase in service improvements across all local authorities. That is a performance paradox, but when satisfaction decreases it is important for local councils to deal with it.

Julia Goldsworthy: Does the Minister think that the reason for increasing dissatisfaction might be the lack of a clear link between what council tax payers pay and the proportion of their services that that money funds? Would it not be better to raise and spend more money locally than to continue to depend so much on central Government grants?

John Healey: No, I do not think that. That is an argument either for massively higher council tax—perhaps the hon. Lady is arguing for that—or, as a substitute, for a massive increase in income tax for many of those who work. She may or may not be advocating that, too. It is not quite clear what the Liberal party stands for in that regard at the moment.

The other area of concern is shown in the latest citizenship survey, which told us in December that fewer than half of people feel well informed by their council about the services in their area, and that although two in five feel that they can influence decisions in their local area, the majority still do not. Just as politics does not end with politicians, so local government cannot stop in the town hall or the county hall. In times of uncertainty, democracy, at all levels, is more important than ever. People need to know that they can have a say in their circumstances and they need to know where their money is being spent on their priorities. Our White Paper "Communities in control" aims to pass more power into the hands of local people and local communities.

Local government is important, more so than is properly recognised in a British parliamentary and political system that is traditionally very centralised. It is my long-held belief that local government is the point at which people can best connect with politics, that local democracy is central to strong communities and that local involvement with and trust in people is how we make public services respond best to people's needs. Local government can do more, and our Department's job is to see that it does.

4.31 pm

Robert Neill (Bromley and Chislehurst) (Con): I acknowledge the Minister's comments about the importance of local government and its traditions, and the contribution it makes to democracy and this country's way of life. Local government is hugely important, and I say that as someone who started his political career in local government and spent about 16 years in it. I, like my Conservative colleagues, value the work that is done by men and women in local government; the work of officers and members should not be understated. I agree with the Minister on that point. He is right to say that much good work is done and to point out the degree to which local government is often better at achieving efficiency than centralised government—it is worth remembering that.

Having said that, we must step back a little; the traditions that created local government were largely based on considerable local discretion, but that has been eroded over a number of years. That erosion is, cumulatively, the biggest threat to the future of local government. I do not make a partisan point, as the process happens under parties of all kinds. There is a tendency in the British state for central Government to suck in more power to themselves. That applies in respect of all people, and we have to be alert to it. Not for nothing do some independent academics describe Britain— certainly England, post-devolution—as the most centralised state in the western world. It is important to find remedies to that process.

I am grateful to the Minister for updating us on his discussions, because this aspect of local government is uppermost in people's minds in the short term—I shall return to other, long-term matters later. I am grateful for his candour with us thus far, but I wish to press him again on two points that my hon. Friend the Member for Brentwood and Ongar (Mr. Pickles) and I have raised.

First, there is a need for comprehensiveness in the list of where the exposure lies. I think that the Minister has understood that point, but it is important to hammer it on to the record. With respect, it may not be enough to rely simply on the Local Government Association in these circumstances, because we all know that many local services are delivered through housing associations and local private finance initiatives. We are aware that some universities are exposed, but what about the position of schools with devolved budgets? What about the position of the regional development agencies? We need a clear statement of the overall exposure of the local government sector. Secondly, I ask the Minister to consider again the question of setting out which local authorities are involved, as that is an important question of openness. Conservatives do not say those things in any partisan spirit, because it would assist everyone, including those in the local government sector, if we had clarity on both those points. I hope that the Minister will reflect on that as matters unfold.

In the longer term, it seems that there are threats to local government from a number of underlying structural problems to which I have already alluded. The Minister said that the Department for Communities and Local Government does what it says on the tin, but I would say that it does so only up to a point. The Department has presided over a number of measures whereby local government does what it can and achieves what we have referred to despite central Government rather than because of them. It is important that we recognise that.

David Taylor: I worked in the field for a long time and was an elected local government member for quite a period, too. Does the hon. Gentleman recall major local government restructuring in 1973-74 and 1996-97? Both cases sprang from decisions made by the Government of whom he was a supporter and were poorly consulted on, ill-conceived and cost vastly more than was ever promised at the time. Does he recollect those years?

Robert Neill: I made it clear at the outset and have always said that a centralising tendency applies across the piece. Given that the hon. Gentleman recognises

that fact and given that he has experience in the field, I am sure that if it ever comes to it he will vote against the three unitary reorganisation proposals that are being pushed forward with no consultation and no local support. I hope that he will follow through the logic of his argument.

I want to consider the areas where there are impediments, and finance is one of them. The Minister quoted gross sums, as he has done on a number of occasions. However, he has to reflect on the fact that for the vast majority of local authorities and many people in this country the picture that he paints does not tally with reality. The distribution of the grant—never mind the size of the cake—is opaque, offers a number of perverse incentives and means that many local authorities have found themselves on the floor for years. Those authorities will find no benefit in the total increase in the cake, and we have never tackled the perverse incentives that are created for local authorities through a range of schemes. I hope that the Government will be prepared to consider on a cross-party basis the way in which indices of deprivation are sometimes changed and the lack of transparency in the criteria to see whether we can make the system more transparent.

John Healey: As the hon. Gentleman says, he has long experience of local government. He will remember that we introduced the system of floors in 2000. Would he abolish them?

Robert Neill: It seems to me that the Minister needs to reconsider the whole system of floors, caps and the grant formula. Would it not be much better if we could have greater independence in the setting of the criteria and if, rather than leaving local authorities caught with the cap, we adopted my party's proposal that council tax increases of a certain size should be put to residents in a referendum? That would surely be democracy.

Daniel Kawczynski: My hon. Friend is making a powerful argument about the huge differences in funding for local areas. May I give him an exact example? Every child in Shropshire receives only about £3,300 a year for their education, whereas the figure in other parts of the country can be as high as £8,000 or £9,000. Those huge regional differences have put various primary schools in Shropshire under the threat of closure.

Robert Neill: My hon. Friend makes a valid point that can be recognised across the House, and it strikes me, representing as I do a suburban constituency—[HON. MEMBERS: "Certainly on our side."] My hon. Friends say that that point is certainly recognised on this side of the House, and the lack of transparency in the system creates a fear and a belief in many parts of the country that the formula can be manipulated in a way that is, frankly, not objective. That brings local government into disrepute and prevents it from delivering. We need to look more broadly at local government finance.

Julia Goldsworthy: I am listening to the hon. Gentleman very carefully, and I agree with much of what says about the vagaries of the existing funding formula. However, does he agree that his own party's proposals for council tax rebates would reinforce the problems? The better funded councils would be in a better position to offer no increase in council tax, and would benefit from what would in effect be a direct grant from central Government. In contrast, councils funded at the lowest levels would find it most difficult to hold down council tax increases.

Robert Neill: With every respect to the hon. Lady, I think that she misses the point. We want to tackle the problem that, despite the supposedly record levels of spending, the way in which the money has trickled down has meant that council tax has doubled under this Government. That is of increasing concern at a time of economic pressure—and I do not think that it would be much helped by a local income tax, either.

David Taylor: Will the hon. Gentleman give way?

Robert Neill: I shall finish my point, and then happily give way. The hon. Member for Falmouth and Camborne (Julia Goldsworthy) fails to take on board the point that we are not seeking to compel local authorities to keep council tax down—rather, we want to work with local authorities and give them an incentive to do so by releasing funding identified from central budgets. If they can get to 2.5 per cent. they will get match funding, which will mean that they can reduce their budget and so have a council tax freeze. In the current circumstances, I would have hoped that the Liberal Democrat party welcomed a proposal that reduces costs to householders. We have come up with a specific proposal: it would lead to savings and could be implemented, but it is clear that the Liberal Democrats prefer high levels of taxation.

David Taylor: The hon. Gentleman is a well regarded and respected local authority member for the part of Greater London that he represents. I am sure that he will recall the regular allegations during the Conservative years—and they were often substantiated—of a skew towards the London area. Particular beneficiaries were the London boroughs of Westminster, where we are now, and of Wandsworth, which is about 3 miles down the road. However, my key point has to do with his remark that council tax has doubled over the years of this Government. That is true, but the average rate of increase in the 11 and a half years that this Government have been in power has been less than it was in the first five years after the previous Conservative Government introduced council tax in 1992.

Robert Neill: With respect, the fact that the hon. Gentleman feels that he has to resort to that type of allegation shows that he is rather behind the pace of the argument. Certainly, no one who represented an authority in suburban London that has been on the floor for six or seven years would say that Westminster or Wandsworth were benefiting from some illicit screwing—I am sorry, I mean skewing—of the system. [*Interruption.*] Some might say that I was probably right the first time.

The system is getting to the stage where it is close to being broken. The Government are unwilling to grasp the nettle and make a serious change to the system: instead, they prefer to continue to apply a sticking plaster to it, and that is what is causing the ongoing problems.

John Healey: I am grateful to the hon. Gentleman for giving way a second time, and I was very interested in his council tax proposals. Good spin, flaky substance—it is not clear whether the 2.5 per cent that he has mentioned

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would be a budget increase or a council tax increase. However, does he recognise who said, "Talking about an efficiency drive is the one of the oldest tricks in the book, but the trouble is that too often it is just that—a trick"? It was his party leader, in a speech made in Birmingham in May.

Robert Neill: In a previous incarnation, the Minister was not beyond referring to efficiency drives himself. The Gershon review was not without an interest in efficiency drives, so that might not be the best point for him to make. Moreover, if he will forgive my saying so, I will not take a lesson in spin from him, given the sudden detour into the ideology of the big or small state in local government.

There is a lack of transparency in the local government finance system. The hon. Member for Cambridge (David Howarth) made a very useful point about a number of perverse incentives attached to specific grants and to the distribution formula. As it happens, that situation is mirrored in my local authority. The swimming project, for example, does not take account of our population demographics. Bromley would actually be worse off under the scheme. Despite the Minister's laudable ambition, there does not yet seem to be a co-ordination of criteria across the various Departments that fund local government.

The multiplicity of funding streams is also an issue. A very high percentage of grant remains ring-fenced and, although I acknowledge there has been some reduction in that practice, its application reduces local discretion. If local authorities are squeezed as a result of the caps-and-ceilings regime and face a higher percentage of ring-fencing, their scope to shift money around within their budgets to reflect local priorities is significantly reduced.

Mark Hunter: The hon. Gentleman was dismissive of the comment made by my hon. Friend the Member for Falmouth and Camborne (Julia Goldsworthy), who is on our Front Bench. That is particularly unfair given the vagueness of the alternative local government finance proposals that the Conservative party is putting forward. I have listened closely to what he has to say, and I agree somewhat with the Minister: the hon. Gentleman is good on analysis, but there is not actually any Conservative alternative. Perhaps he could use some of the time remaining to him to tell us what the Conservatives propose as an alternative to the current arrangements. He may not agree with us, but he knows that the Liberal Democrats advocate local income tax because it addresses the fundamental problem with the current system, which is that council tax is not related to ability to pay. Until that nettle is grasped, the system will continue to be unfair to many millions of people across the UK. He may not agree with our policy, but at least we have—

Mr. Deputy Speaker (Sir Michael Lord): Order. That intervention was definitely becoming a speech.

Robert Neill: It is interesting that the hon. Gentleman is anxious to get away from council tax; I am not surprised when I look at the rates of council tax charged by Liberal Democrat authorities, which are among the highest in the country. I am conscious that that is a sore point for him. With respect, the figures in my party's proposal were checked by the Institute for Fiscal Studies, and are based on savings identified by the National Audit Office, which indicated that there is something like five times the spend on the same items in the private sector.

Julia Goldsworthy *rose—*

Robert Neill: I have been generous to the hon. Lady, and I would like to make a little more progress. The reality is that there is a failure to grasp the fact that a doubling of council tax, particularly in current circumstances, is unacceptable. Only one party in this House has come up with a proposal to freeze the burden of council tax on householders. The others just argue about the level of the increase, and that is not what people are looking for. There is a real issue as far as financing is concerned. There is a link, of course; because there is a lack of transparency and a multiplicity of funding streams, and because there is still too heavy a reliance on ring-fencing, it is difficult to give local communities incentives to take on board growth, new populations and new developments. They do not see any return. They lose out as a result of the perverse operations of clawback. Only yesterday, the Minister had drawn to his attention what seems to be a perverse consequence of the Prime Minister's initiative, introduced when he was Chancellor, to change the rules on empty commercial property relief. There are still too many opportunities for perverse and unintended consequences to occur in an over-complicated system.

Another thing that reduces local authorities' discretion is micro-management through the targets regime. I appreciate that the number of targets has been reduced from about 1,000, but I have to ask the Minister: who brought in the 1,000 in the first place? It is a case of the sinner repenting a bit. However, there are still 198 "sins" in place. Moses managed with 10 commandments, and I do not see why the Government cannot get a bit closer to that, frankly. It seems that there is still a significant measure of micro-management. Again, many independent observers note that a perverse consequence of the current target system is that very often, local authorities and their officers are pushed to tick the box, rather than deliver the service. They have to tick the box to get the funding, although ticking the box may not deliver what is needed locally. That situation cannot be allowed to continue.

As well as the centralised target regime, the third aspect that reduces local discretion is the artificial regional agenda. It is artificial because most of the Government offices bear no relation to anybody's sense of community, identity or history, or to patterns of economic activity. It is very difficult to see how the Government can claim to be giving powers back to local communities if they are taking more and more powers in relation to issues that really matter, such as what housing is built where, how planning decisions are taken and by whom. How can the Government make that claim if they transfer, for example, regional planning and housing powers from an indirectly elected regional assembly to an even less directly elected regional development agency? That is just shifting the deckchairs around on the Titanic. If the Government are serious about returning powers to local government, they should scrap the regional planning regime and the regional spatial strategies, and hand those powers back to local authorities. That would be a real transfer of power back to local people, but the Government shy away from doing that.

Julia Goldsworthy: The hon. Gentleman mentioned the targets and priorities that are set by local councils. The number of targets may have been reduced, but I know of local authorities that have been very reluctant to set some of the priorities imposed by the remaining targets, such as the preventing violent extremism priority.

Robert Neill: The hon. Lady makes an interesting point. There is real concern about the relevance of some of the targets, and I shall touch on some of those later. However, my hon. Friend the Member for Wycombe (Mr. Goodman) has taken a particular interest in work on extremism and community cohesion and he will deal with that specifically when he winds up. I hope the hon. Lady will therefore forgive me if I do not go into more detail.

The artificial regional agenda also inhibits councillors in doing their job. They are inhibited by an over-engineered Standards Board regime, which should be scrapped. Failure to tackle the gold-plating of the code of conduct by many monitoring officers inhibits many councillors in representing their constituents honestly and openly when it comes to planning applications. When the Local Government and Public Involvement in Health Act 2007 was considered in Committee, the Minister's predecessor promised to take a look at the concerns that are regularly raised by councillors of all political persuasions about the operation of the common law predetermination rules in relation to the consideration of planning matters and how they interface with the code of conduct. We have heard nothing more since. It is daft if local councillors feel inhibited about saying whether they oppose a particular development on open space in their ward because of a fear that they might then be regarded as having pre-determined the issue. That is the sort of thing that undermines local democracy, and the Government are not tackling it, despite the opportunity to do so.

Mark Hunter: I agree entirely with the hon. Gentleman about the iniquity of the planning system. Does he agree with me that to tackle that problem truly we would need to give objectors the same right of appeal as applicants? Until that unfairness is addressed, the system will continue to let down many people.

Robert Neill: That is an interesting point, but I shall not commit myself on it. We have to try to strike a balance. People need to feel that they have had their say, and that is why we are concerned about aspects of the Planning Bill, which will make it harder for people to have their say on planning matters, especially those on a large scale, by removing the right to representation and to cross-examine and—through clause 151—restricting the ability of authorities to take action when nuisance and pollution arise as a result of developments.

Susan Kramer (Richmond Park) (LD) I thank the hon. Gentleman for giving way.

Mike Penning: Have you just wandered in?

Susan Kramer: I have been in for a while.

Does the hon. Gentleman agree that there is a real problem in the planning system because of the lack of authority for local government to rule in the best interests of the local community? There is a developer bias because of law imposed from Whitehall.

Robert Neill: We dealt with that point before the hon. Lady arrived. We need to get the balance right, and it is currently wrong for the reasons that we have set out. Restrictions are placed on councillors in the operation of planning.

I have referred to the needless reorganisation of structures in local government. We have seen the Government's proposal for large unitary councils, which is based on a methodology that has been comprehensively discredited. If anyone has not read the book "Botched Business"—the title is appropriate—by Professors Chisholm and Leach, I urge them to do so. It demonstrates that the financial claims for that reorganisation were based on fundamentally flawed methodology. We have seen that work out in practice in Northumberland, where what was alleged to be a saving of about £17 million is turning into an overspend of about £55 million. To use the Minister's phrase, it simply did not deliver what it said on the tin. Against that background, it is not surprising that Professors Chisholm and Leach describe the Department's conduct as verging

"upon corrupting the body politic".

That is their allegation as independent academics. When one reads the book—I am sure that the Minister has read it, because I know that he is diligent—the case is compelling.

In the current circumstances, where local authorities face financial issues, is it not time for the Minister quietly to kill off any further structural change, particularly when local authorities are doing a great deal of good work together? In Somerset, for example, the county council and district councils of different political persuasions are working together on development, waste and other key issues. Successful local authorities are working together in Devon, and I know that a district and county council in Essex have a jointly appointed chief executive. There is considerable collaborative work in Kent, and a number of London boroughs are working more closely not only among themselves, but with other organisations, such as strategic health authorities and primary care trusts. If the Minister were to get away from the obsession with structural change, we could get on with collaborative working, which would leave governance systems and accountability in place so people would still have a sense of ownership of their communities rather than alienation, which we risk at the moment.

There is a different way forward. The Minister has referred to the White Paper, which is not the way forward—if it is the answer, then the question is wrong. The idea that we will achieve the laudable objective, about which I agree with the Minister, of getting more people from a greater range of backgrounds engaged with local government in more imaginative ways is not met by the White Paper. I do not dispute that the White Paper includes some useful and helpful ideas. At the end of the day, however, the idea that one can cure the democratic deficit, which genuinely exists in this country, by offering people who turn out to vote a free doughnut or entry into a prize draw to win an analogue radio, or by allowing people who are elected not to attend council meetings and text in their vote, trivialises rather than enhances local government. What would enhance local government is the abolition of all the central controls and constraints to which I referred earlier.

This is an opportune time for a debate on local government. I never doubt the Minister's good intentions, but I fear that he and the Department are presiding over

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a litany of missed opportunities. I have heard nothing today, and I have seen nothing in the White Paper, that suggests that things will get any better until there is a central change, which many people hope for in due course.

4.59 pm

Mr. Ronnie Campbell (Blyth Valley) (Lab): I feel a bit old when I mention this, but I am reminded of 1969, when I was elected to the local authority as a young lad. I remember the first meeting that I went to. I knocked on the door, went to the chamber and sat down, but there were no agendas. I was told that they would come later and that they were being debated next door in a sub-committee or some such. Later, I put all that down to the right-wing Stalinists—in the Labour party, I might add, Minister. They controlled everything and would come into the meeting saying, "This is what we are going to do." So I had a rough time when I was first elected.

In those days no members of the public were allowed into the committee meetings, and of course none of the press were. I remember fighting with a Liberal on the council to reopen the meetings and get the press in. I was not very popular with the Stalinists, of course, but we did fight. As I listen to the debate today, it is obvious that local government has come a long way since then. It is wide open, and, up to a point, I am very proud of it.

I could be away home—like everybody else, it seems—but I am here to talk about Northumberland. Northumberland is to be one of the unitary authorities mentioned by the Minister; incidentally, the people of the county did not want that. They still do not want it, and we had a ballot to say that we did not want it, but nobody took any notice—perhaps we are back to the Stalinists again. We have to be careful not to drift back to the old days of 1969: we have to listen to what the people say.

The Minister has been up to Northumberland a few times, but I am sorry to tell him that he has been told a few porkies. I said as much in a couple of letters that I sent him—but he replied that, no, everything was rosy in the garden. I am afraid that it is not. Northumberland is in a big plight. The six district councils are being taken over next April and neither I nor anybody else knows what is going to happen; Northumberland is like the banking industry in many ways. It really is in a plight. I am told by our colleagues who sit on the council that no savings of any kind will be made in Northumberland in the next five years—so much for the points made by those who wanted the unitary authority. They said, "We'll save this and save that. We'll save £18 million a year." I do not think that that is on the cards, Minister—that has all gone.

Cuts will be made. This year, the authority is looking at £27 million of cuts—this year alone, until April—and it is talking about a cut over the next five years of £69 million in local government in Northumberland. Where will that come from? The issue is services. Northumberland has an ageing population; just the other day, we got the figures for Blyth Valley constituency—51 per cent. of people there are old. A lot of them will depend on a lot of services. A cut of £69 million would be pretty heavy on social services and the like.

Amalgamation has brought the added problem of redundancies. It is a minefield. There is untruth upon untruth—figures here, figures there, but we are all fighting in the dark. I am afraid that the Liberal Democrats are the biggest party on the council and they are running it at the minute. TUPE does not exist for the Liberals—so much for the trade union connections that they like to claim; they do not even recognise those regulations. At least our side does, and does a little bit with them.

Julia Goldsworthy *indicated dissent.*

Mr. Campbell: They do not recognise them; the hon. Lady should get in touch with the leader of Northumberland council and ask him what TUPE is—he will not know. It is a trade union arrangement for those who are made redundant or sacked, so that things are done properly. But they are not being done properly, and I will say for why. Blyth Valley and Wansbeck are the most populated areas in Northumberland; which has a total of about 300,000 people; the other areas are all rural. When they did the interviews for the chief executive, not one came from Blyth Valley or Wansbeck. Three or four came from Berwick, Alnwick, and Hexham. Blyth Valley council has two "beacon" statuses and an "excellent" status. Last week, it was announced that it is in the top 10 of the best run district councils in Great Britain, yet not one chief officer has been elected to the new unitary authority.

Julia Goldsworthy: Not elected.

Mr. Campbell: Sorry, not elected—appointed. They should be elected; that is a good idea.

I wonder what is going on. Could it be that they do not have a Liberal party card? Is that how it works? These are the two biggest district councils in Northumberland, and not one of their chief officers has been appointed. That worries me.

Now there are going to be redundancies because the six councils disappear next year. The £69 million debt is creating problems. Figures have been bandied around. Even the Liberals on Northumberland county council have said that 20 per cent. of staff will lose their jobs next April. We think that it will be 1,900 to 2,000 people, or perhaps 3,000. What is even worse is that workers at the county council and the shire council are being told that their jobs are safe and that all the jobs that are to be lost will be at the district councils. All the people sitting in the ivory tower in county hall are going to be saved. I do not know how that works, because under the trade union laws they should all be applying for their own jobs. We will leave that to one side and work that one out when it happens.

It is a right plight. Now we are going to have cuts—£27 million this year, £69 million over three years. There have been cutbacks on some projects. The Liberal-controlled authority is already telling the district councils that they cannot spend on the capital programme. We should remember that these councils had a capital programme that they put to the people and got elected. Now they are being told they cannot spend that money—"You can't do this, you can't do that, we need all that money because we've got a black hole here." In all fairness to the Liberals, I do not blame them entirely for the black hole, because our previous administration made a mess

of it as well. *[Interruption.]* However, they are not making a very good job of it at the moment—I can tell them that for nothing.

An even bigger problem in Northumberland is that of the Icelandic banks. My local financial officer, Simon Potts—an excellent officer who did not get a job, by the way; if he put in for one, he did not get anywhere—was told in April that Blyth Valley borough council should get its money out, which he duly did. In April, Northumberland county council was putting money in—in fact, it was doing it as recently as June and July. Everybody seemed to get the news in March or April that they should get their money out because it was not very steady out there, yet Northumberland was still putting it in. The Minister mentioned a few councils—Northumberland must be one of them. I am sure that his lads will come back with the truth—I hope so, because every time anybody goes up there so many porkies are told it is unbelievable.

The officers who were putting money in when they should not have been—when everyone else was told—are now on higher salaries. Of course, not only had they put that money in, but news has just come in, hot off the press, that they had put £11 million of pension money into Lehman Brothers. We are told that that money is okay and is safe, and that we are going to get it back. I hope that the Minister is listening and that he has his team up there. He can inquire about the £11 million in the pension fund for Northumberland county council, which is with Lehman Brothers. Will the council get anything back now that Lehmans has gone bust? That is a problem in itself.

What will happen in Northumberland? Services are going to be cut. It is too late to let the districts run their own councils, as the Tories wanted. I agree with that—I did not want a unitary authority. It is too big, and too far removed from the people. It is better if we have smaller councils running a lot of services, because they are near people and can handle things better. The Minister nearly spiked my guns by announcing that councils are being inquired into. He might have a team up there now, but I was going to ask him to have an inquiry into the running of Northumberland to ascertain the truth.

It is a bit of a bind when the Minister comes to Northumberland—he has been up a couple of times—to make statements but those statement are wrong. He is becoming a bit of a laughing stock. I would rather have the truth. I would rather the Minister sent a team up to Northumberland to find out the truth. It is not all down to the Liberals; most of it happened beforehand, but the way the Liberals are going about things now is just as bad. If it is not too late, I would like an inquiry team to go to Northumberland to find out what the situation is really like. I hope that I can be around at that time.

5.12 pm

Julia Goldsworthy (Falmouth and Camborne) (LD): I was pleased to hear that the hon. Member for Blyth Valley (Mr. Campbell) got on well with the Liberals when he was first elected to the council, but sorry to hear that relations seem to have deteriorated somewhat since then.

Listening to what the hon. Gentleman said, and what the hon. Member for Bromley and Chislehurst (Robert Neill) said, I found they seemed resistant to change. There is a real danger in local government that one can turn into a pointy-headed policy wonk who obsesses about finding the right structures to deliver services and interesting new ways of financing local government. It is easy to be sucked into that, but we should not be resistant to change for the sake of it. From the experiences I have had in my constituency in Cornwall, I can agree that the unitary experience has not been perfect, and it may not be right for every community, but we have tried to look at where we would like to be, and the journey we might take to get there, in order to draw down more powers and deliver more locally than the districts have done. We should have ambitions, not just simply say that the status quo is right and should not be changed at any cost.

I can think of countless examples of people coming to me who have tried to navigate their way through the local government system, which can be confusing and complicated, and the existing structures sometimes do not help. An individual came to see me because the roads had not been cleaned on Falmouth sea front. That sounds pretty straightforward. What actually happens is that Cornwall county council give a pot of money to Falmouth town council, which then subcontracts the work to Carrick district council. When we try to find out what has gone wrong, we are sent round in a circle by people saying, "It's not really our responsibility—the pot of money has gone somewhere else." If such inefficiencies can be tackled, change surely has to be welcomed.

Robert Neill: I thank the hon. Lady for reciprocally giving way. Do the Liberal Democrats support or oppose the unitary proposals in her neighbouring county of Devon and in, for example, Norfolk? Do they support the proposals for enhanced two-tier working, along with the pathfinder schemes that all the district councils in those authorities have presented?

Julia Goldsworthy: Unlike the Conservative party, we are not trying to impose a central party view unilaterally on our local government representatives. It is interesting to note that many councils that make unitary proposals are Conservative controlled—clearly, the issue is not settled in that party. It is a case of horses for courses. Having witnessed the unitary process close at hand, it is clear that there are problems with it, but we should not throw away opportunities.

The Liberal Democrat party has its roots in pavement politics and local government, as the hon. Member for Blyth Valley remembers. We cannot disagree with the sentiments that the Minister and the hon. Member for Bromley and Chislehurst expressed about the importance of local government, its record on delivering local services and the potential to deliver even more. However, although there may be consensus about talking the talk, perhaps we part company on walking the walk—neither the Government nor the Conservatives are yet in a position to do that. The challenge is not only to talk about but to deliver localism.

I shall focus on local councils' exposure to the collapse of the Icelandic banks because we have not had an opportunity to debate that on the Floor of the House. We had a statement yesterday, but there has been no opportunity for discussion since the story broke some 10 days ago. It is a fundamental issue for local government

[Julia Goldsworthy]

and has a massive impact on council tax payers' confidence in their local authorities. We know that 116 authorities—not only councils, but police, fire and transport authorities, as well as other organisations, such as hospital trusts and charities—have been affected so far. Although, on average, the exposure is less than 10 per cent. of authorities' short-term investment, the experiences of those affected vary greatly.

Some councils have reported investments that they made a year or even longer ago. It was difficult to get out of them and they now have to deal with the problems. I have heard reports of councils that made investments as late as the end of September or the beginning of October, when, as we now know, those banks were experiencing serious troubles and were not a good investment choice.

The extent of exposure has also been different. For example, Kent is at one extreme, with an exposure of £50 million. However, some of the smaller amounts might prove more troublesome. For example, a small amount in absolute terms that is frozen or in a bank in Iceland might represent smaller district councils' reserves.

I am slightly troubled by the noises from the Local Government Association and the Department to date. We were initially told that no councils had made reckless decisions or faced immediate short-term difficulties, but that statement was subsequently qualified, and we heard that many councils had made sound investment decisions. However, finance officers and rapid response teams are going into several authorities to assess their situation and their ability to deal with the short-term position. That suggests that matters are more serious than we were first led to believe.

Local authorities may struggle in the short-term with their ability to pay Government business rates, because maturing deposits were intended to cover those payments. There might be difficulties in balancing the agreed budget because interest receipts are a major source of revenue, especially for smaller councils, in funding services. Capital projects may have to be rescheduled and there may be a need for greater short-term borrowing, which could prove more expensive. In an extreme case, if there is no repayment for some of those affected, their reserves may be exhausted.

Given that context, it was worrying to hear a claim that nobody would be affected in the short term and that all the bills would be paid. There is potential for significant problems and I hope that the Minister can comment on that. Could he give us any indication of the kinds of councils that are alerting the Government to the shorter-term problems? Is it the smaller authorities that are struggling, or is it those across the whole gamut of authorities that have been exposed? Any detail that the Minister could provide might help us to understand the more general problems. The feedback that I have received suggests that district councils might be experiencing the most difficulties in managing the treasury services that they offer, because they do so on a much smaller scale.

Yesterday's statement was helpful in providing more details about the Government's programme of support. We support the action that the Government are taking. We know that officials have gone to Iceland and that there are discussions with the UK subsidiaries. There have been indications on BBC news that Ernst and Young has said we may know by mid-November how much of those assets could be returned. Will the Minister say how optimistic he is that all those deposits will be returned and when councils might hope to see them back in their accounts?

I also welcome the analysis of the effects of the exposure that the Department has commissioned, but will the Minister say when he expects it to be completed? From what he said earlier, it sounds as though it should be completed fairly shortly, but can we expect an oral statement, so that there is an opportunity to discuss the issue in the House?

I was going to ask whether the rapid response unit had been called out, but we now know that it has been. It is reassuring to know that there is a team of experts going out to support those councils that need support. My only question is whether they are in-house experts or whether the Department is seeking advice from external organisations. If so, could the Minister say which ones?

John Healey: The financial experts who have gone to the three councils that I have mentioned today are from other local authorities. It is entirely within the spirit of the arrangements in place for the sector to offer support within the sector wherever possible. These experts are not people from our central Department.

Julia Goldsworthy: I am grateful to the Minister for that helpful reply. Councils are concerned not only that some councils have deposited money in Icelandic banks, but that they have made loans to other councils. If those councils are affected, that might have a knock-on effect on other councils. Can the Minister therefore enlighten us on what contact there has been with those councils that are not directly exposed, but which might be indirectly exposed?

We have a five-point plan, but there are other things that the Department could be doing. I hope that the Minister will reassure us that the Department is keen to take steps to ensure that it stays on top of the situation. Concerns have been raised that responses could have been made a bit quicker. I feel that we are learning that the Government are responding to events rather than anticipating them. Part of that worry is down to the fact that there is still such a lack of clarity about what is going on. For example, we do not just need an urgent analysis of the effects of local authorities' exposure to those banks; we need an analysis of what the causes might be.

When I raised that with the Secretary of State yesterday, I was accused of trying to play the blame game when we should be trying to resolve the issues. However, unless we know what has gone wrong, how can we prevent it from happening again? With so many councils affected, we are not talking about one council making a fundamental mistake; we could be talking about a structural problem that needs to be addressed. We need to find out what went wrong.

There also needs to be an investigation into whether the guidance was explicit enough. It seems to be widely drawn and has been interpreted in many ways. Councils have responded to the guidance in different ways, either by looking ahead to see whether the banks' ratings would be downgraded in future or by reacting only when the ratings have already been downgraded, when it is too late.

Mr. Ronnie Campbell: Is it not the case that, when local authorities have money to invest, they will go to wherever they can get the highest interest? Obviously, the Icelandic banks were offering high interest and the investments looked very good. I take the hon. Lady's point that some of the authorities might have been encouraged to invest in those banks, and that perhaps they should not have done so, but everyone goes for the highest rate.

Julia Goldsworthy: I am not saying that councils have been reckless; I am saying that there have been some very different responses to, and interpretations of, the guidance.

David Howarth: My information is that, in many cases, the councils were not going for the highest rate when they placed their money with the Icelandic banks, and that there were other, more risky, offers being made to them. The situation is therefore rather more complex than the hon. Member for Blyth Valley suggests.

Julia Goldsworthy: I am grateful to my hon. Friend for that contribution.

Another question is whether the Government should be looking at the advice given by the credit rating companies and by those third-party organisations that advise the councils. My colleague Lord Oakeshott of Seagrove Bay has raised some issues of considerable concern. He pointed out that

"two advisory firms, Sector Treasury Services and Butlers...appear to have given councils advice and an A-rating for Landsbanki and Heritable virtually up to the moment that that firm bit the dust".—[*Official Report, House of Lords*, 13 October 2008; Vol. 704, c. 557.]

He has raised the concern that there was perhaps some kind of kickback or remuneration from the banks, in relation to the payment that the councils were making. This issue needs to be urgently explored, and the Government should be taking an interest in it, rather than trying to stand back from it.

John Mann (Bassetlaw) (Lab): I do hope that the hon. Lady will do her homework a bit better. The credit ratings are available, and anyone can see that the ratings for two of the three Icelandic banks in question did not change until 22 May. Until that point, they had not changed, but on that day, they did. That information was made available to local authorities. The hon. Lady needs to distinguish precisely between local authorities that were, on the face of it, investing rationally up to 22 May—many of which were doing so over a 12-month period and were caught up in all this as a result—and certain others. She should also perhaps look in more detail into why a handful of local authorities chose, after 22 May, to invest new moneys when the special report on Iceland, produced that day, made pretty clear reading. Having read the report, I certainly would not have wanted to put my money into an Icelandic bank, and it seems strange that a handful of local authorities did so after that date. The hon. Lady needs to distinguish between the various local authorities in that regard.

Julia Goldsworthy: There is a difference between local authorities that have been caught up in the problems because of long-term investments and those that made their decisions more recently. The timing has not been uniform across the ratings agencies, and the drafting of Treasury reports also seems to have triggered different responses. For long-term investments, ratings from AAA all the way down to BBB are considered to indicate a low to moderate risk. Some of the Treasury guidance to councils suggested that, as long as their investments fell within that band, they would be okay. Other councils, however, were prepared to invest only in the top rating bracket. Differences in councils' strategies resulted in some councils responding to the rating changes when others were looking further ahead.

There are also examples of councils having genuinely been given inaccurate advice. For example, the counterparty list that Cambridge used listed Heritable as a UK bank. On the basis of Cambridge's investment strategy, Heritable counted as a UK bank and a safe investment. In reality, however, it was not. These issues need to be investigated, and I would like the Government to take an interest in the wider effects, rather than saying that they do not want to get involved in the advice that councils seek and receive. Perhaps the Minister will also be able to tell me whether the independent advisers are regulated by the Financial Services Authority. It is not clear to me at the moment whether they would be, but that adds the matter of regulation to the advice that is supposed to have been given.

I would appreciate any further information from the Government on whether they have a full picture of who is affected. We know from what the Minister said this afternoon that the LGA has a pretty clear picture of all the councils involved: it is not yet finalised, but there are no blanks in the number of councils affected. What about other public organisations, however? There are concerns that registered social landlords and regional development agencies might be affected. When will the Minister be able to tell us categorically whether they are?

Many people are concerned at the prospect of the problem migrating to other public bodies. What was particularly disturbing for many was the fact that all this came out of the blue. Many of my constituents said, "I did not know that my council had that kind of money to put in a bank in the first place". People do not want any further nasty surprises.

Dan Rogerson (North Cornwall) (LD): My hon. Friend is making some excellent points about the recent crisis. I, too, have been contacted by a number of constituents concerned about bank problems. There is a lack of understanding of local government in the wider community, but we expect the White Paper to help people to understand how local government functions, so that when something like this occurs it is not such a big surprise to them. The extent to which certain councils are exposed might still be a surprise to them, but they should not be surprised at the way in which local government functions. People need to be far more involved in their councils' decisions.

Julia Goldsworthy: My hon. Friend is absolutely right. The situation is not helped by the fact that council tax funds such a small proportion of local services. Many people still think that business rates fund local services, whereas the council simply collects them on behalf of the Government. Given that councils make payments only twice a month and that much is invested, has the Minister made any assessment of how much of the

[Julia Goldsworthy]

money caught up in Icelandic banks is earmarked for the Government? It was their income that the councils were investing before they passed it on to the Treasury. I wonder whether the Government have any sense of the extent to which they will be affected.

I have made it clear that the Government need to review and update their guidance. Treasury strategies need to be updated in the context of vastly changing economic circumstances. It seems ridiculous that, in the light of recent changes and the impact of the crisis, the Government do not believe that they should do the same as councils. I appreciate the Minister saying that the Government have allowed councils to capitalise losses in the past, but I think that a statement saying that councils will be able to do so in future would provide some certainty so that people, councils and council tax payers would know that if, at the end of the day, the councils cannot recover all the money, it will not impact on council tax next year. That sort of backstop should be used only as a last resort, but it should be there.

Local authorities also need to provide clarity. I hope that all the affected councils will conduct a review into their circumstances. Depending on the timing and the extent of their exposure, it might need to be an independent review, but it could be an internal one. I know that some councils have already initiated such a process. Kent county council, for example, has initiated a review from PricewaterhouseCoopers and I know that North-East Lincolnshire is planning an internal review. I would encourage all other councils to do the same.

Flagging up some of these structural issues might help, and best practice can be shared. I have spoken to councils that pulled out. The successful ones are not those that simply ratify their Treasury strategy at the time of the full Budget; they may have twice-yearly full council meetings to discuss their strategy; some have member panels to review the position regularly; representatives and third-party advisers may look at what is going to happen in the future. As I say, best practice can be spread and I hope that the LGA will focus on it because it is really important to restoring confidence.

I shall move on to some broader issues. I know that many Members still wish to speak, so I will not dwell on them too long, as I know that the hon. Member for Bromley and Chislehurst has already touched on them.

The current problem highlights a much wider lack of transparency and a huge complexity in the workings of local government finance. Councillors have told me, "We assumed that those in the treasurer's department knew what was going on, so why did we need to do anything?" Similarly, the public do not understand how the system works. They ask "How come the council has all this money?"

Susan Kramer: Is there not a deeper problem? When a millionaire with a millionaire's lifestyle is living in a high-grant authority area and paying very low council tax while a postman is living in a low-grant area and paying very high council tax, it is clear that deep unfairness is built into the system and that it requires a major overhaul.

Julia Goldsworthy: My hon. Friend is right: unfairness is built into the system. It is also very difficult for people to understand what they are getting in return for the money they pay at local level. Council tax finances only a small proportion of local government spending in most authorities, although I know that it is the other way around for my hon. Friend. The rest is determined by a complex funding formula that has floors and ceilings and enables gives councils to claw back money. The system is confusing enough for councillors, let alone the taxpayer.

Business rates should be raised and spent locally. That would be a very good way of increasing the revenue that councils can raise and spend. Every year people see their council tax rise above the rate of inflation, while also hearing about pressures on their key services. Furthermore, through the complexities involving Iceland people are learning that their council is having to invest money to secure additional revenue. There are so many complexities before we even start thinking about all the other public services that are funded locally with no democratic accountability and with huge sums being spent.

Handing over many of those resources to local authorities would simplify the process and make it much more transparent for the users of local services. How can we expect people to have confidence in the system if they do not understand how it works? The problem with the financial system at the moment is that it is so complicated that people have no confidence about the future.

We have seen some action from the Government. The Minister referred to the removal of ring-fencing in some instances, but there is still far too much ring-fencing. Yesterday I attended the launch of the Sustainable Communities Act 2007. The Act has the potential to make a huge difference to the way in which the allocation of resources is decided and to return power to local communities, but real concerns remain about how the Government will deliver that, and in particular about how effective local spending reports will be in casting a spotlight on where public money goes at local level.

The empowerment White Paper is all motherhood and apple pie—there is very little in it with which to disagree—but unfortunately it does not change the relationship whereby so many resources trickle down from central Government. That fundamental issue must be addressed, along with the need for councils to understand that they are expected to push more resources down to people. It is a two-way process, but the empowerment White Paper is only about what councils should be doing; it does not say what the Government should be doing.

There has been no action on council tax. As my hon. Friend the Member for Richmond Park (Susan Kramer) said, the present system is fundamentally unfair. Council tax is not a buoyant form of taxation. It does not keep pace with inflation, which is the reason for the above-inflation increases that we have seen. It is also currently based on property valuations that are 20 years out of date. Those who seek to defend council tax as the most appropriate system cannot continue to do so unless they acknowledge that there must be property revaluations at some point. That is the fundamental flaw in the Conservatives' arguments. They will have to say something about revaluation, or their policies will not be credible.

There are other authorities in which there is no democratic accountability. Police authorities, for instance, are not directly accountable. Why are the Government not doing more to drive the agenda forward so that people can see who is accountable for spending decisions in those authorities? More resources should be transferred to local authorities from quangos such as the regional development agencies. There should be a much more transparent funding formula, there should be a change in the balance between what is raised and what is spent locally, and council tax should be replaced by a fairer system, buoyant and based on ability. The Minister hangs his head. He has heard all the arguments before.

Council tax is becoming increasingly unacceptable. Thousands of pensioners in my constituency are struggling to pay their council tax. Some of them might even be entitled to council tax benefit but they have not applied for it and do not receive it. Many people are angry because they see no link with the services they get. There needs to be a fundamental review not only of how resources are allocated, but of how funds are raised; simply tinkering around the edges will not solve the fundamental problem.

Finally, I seek a few thoughts from the Minister. We have been busy dealing with the current crisis, and there has been a huge change in the stability of financial institutions throughout the world. I do not think anybody expected local authorities to be a victim of some of these changes, but I wonder how much time the Department are dedicating to looking ahead to identify other possible impacts. The Minister spoke about fuel costs and a potential increase in borrowing costs. Clearly, housing will be a major issue in future; if the predictions about the numbers of people who are struggling to pay their mortgage or who are likely to be evicted from their property are proved right, there could be huge increases in housing pressures.

What other areas is the Minister looking at as potentially presenting future problems for local government as a result of the credit crunch? I know that some councils are already reporting concerns about large-scale capital projects, often where they are dependent on the sale of property to part-fund them. They are also concerned about private finance initiative schemes, particularly those under negotiation at present, because increased borrowing costs are suddenly making them a lot more expensive.

I am also concerned about a lot of the excellent joint working undertaken across local authorities. Local health and education services and local authorities have often worked well together to provide services. My concern is that this is always seen as the added bonus, and that as soon as the funding settlement gets tight such joint working is often the first thing to go—I am seeing that on the ground in my constituency.

It would be helpful to hear any comments the Minister might have on what is being done to try to pre-empt these potential problems so that we can see them coming down the line rather than having to respond to them after the event, because one thing is certain: while our local communities are very important, we are operating in a changed world now, and we need reassurance that everything is being done to understand what those changes mean to local communities.

5.42 pm

Mr. Hugo Swire (East Devon) (Con): It is regrettable that this debate is so thinly attended, not only because the problems with the Icelandic banks will have a difficult knock-on effect on our local authorities, but because the general economic situation is creating tremendous uncertainty. It is unfortunate that the Minister has just left the Chamber because I am about to be polite to him: I agree with much of what he said—albeit with some caveats that I shall outline in my speech—not least the fact that for a lot of people local government is the only kind of government they encounter.

My hon. Friend the Member for Bromley and Chislehurst (Robert Neill) was candid enough to admit that successive Governments of all political persuasions have tinkered with local government, usually to its cost. However, although sins were committed in the past, that is no excuse to visit the sins of our forefathers on our successors, and that is why I shall devote my comments this evening to why the Government must re-examine their drive towards forcing unitaries on various parts of the country, not least in Devon in my part of the world.

In Devon, unitary status was originally the idea of Exeter city council, which wished to achieve it based on its existing city boundaries. That proposal was given huge endorsement at the time by the Minister for the South West, who is the Member for Exeter, but he has gone strangely silent now that the proposal is no longer an option. Probably, his thinking was that he could create a citadel city from which to defend himself against the creeping Tory votes that, I suspect, will cause him some trouble at the forthcoming general election.

The issue of local government reorganisation is the elephant in the room this afternoon. It has been touched on only briefly, perhaps because of the presence of the Minister for Local Government. I wish that he were still in his place, because I think that having been at the Treasury, when he wears his Treasury hat—or hairshirt—he views a move towards unitary status and its implied costs with a wry sense of déjà vu at best. I do not believe that he is a roving ambassador for unitary status, and in that I submit that he is entirely right.

The situation in which we find ourselves is that the boundary committee will report just after Christmas, I believe, to the Secretary of State and will come up with one of two solutions. The favoured solution is a unitary Devon without Plymouth and Torbay, both of which have already been accorded unitary status. An alternative hybrid scheme, which seemed to me to come out of nowhere and make no sense at all, is a combined Exeter and Exmouth unitary and the rest of Devon in another unitary. I do not know where these people get their ideas from, but it is certainly not from anyone to whom I have spoken in the county of Devon.

I believe that the committee can recommend to the Secretary of State that there is no better alternative than the status quo. Everyone's suspicion is that it will not do that, and that it will recommend some kind of unitary status—I suspect for the whole of Devon. At that point, the Secretary of State will be able to listen to those of us who represent that part of the world and make her judgment. I shall explain why, in the changed circumstances in which we find ourselves, she should make the judgment that the status quo should be preserved, with enhanced working of the two-tier system.

[Mr. Hugo Swire]

It is worth mentioning briefly the five criteria for a review of local government. The first is that it must attract a broad cross-section of support, which the proposals in my county certainly did not. The original proposal for unitary status came not from a groundswell of opinion and public support but, as I have said, from Exeter city council. The bid was flawed, and its finances were called into question. It was thought that Exeter would not be able to repay the costs of the change within the statutory five years, and we are all having to suffer this period of uncertainty as a direct result. The Minister will know that there have been an enormous number of representations from all kinds of stakeholders—much as I loathe that word, there is perhaps no better word in this context—including district councils and Members of Parliament, who it seems to me are often overlooked in such matters, to say nothing of parish councillors.

The second criterion for a review of local government is that it should provide for

"strong, effective and accountable strategic leadership".

I believe that the current arrangements provide for just those things. I make no partisan point, because Devon county council is temporarily under the stewardship of the Liberal Democrats. It received a three-star rating from the Audit Commission in its 2007 comprehensive performance assessment, and the commission reported that the council was working with partners and improving the economy and the environment. I have my disagreements with Devon county council, as does my district council, but on the whole it is working well. The system whereby some of my district councillors are also county councillors is good, and it encourages co-operation. It is not ideal, but then show me a system that is better and I will support it. Certainly moving towards unitary status is not better.

In proposing the single Devon unitary option, the boundary committee has flown in the face of submissions from a number of experienced local councils, including my own, which contends that a unitary council would not be as efficient and would be too remote for a dispersed urban and rural community. I cannot conceive of how a unitary would represent my more remote communities, including some of my more remote urban communities, if that makes sense, in the same way as the present council.

The third criterion for a review is that it must deliver

"the empowerment of citizens and communities, so that all communities have power and resources to influence the decisions that affect them in their localities."

A county-wide unitary authority that had a population of approximately 704,000 and covered an area of 1.6 million acres would be one of the largest authorities, geographically, in England, so a council that is both distant and remote from the people whom it is meant to serve would be created. All the proposals that I have examined for Devon, Norfolk and Suffolk are fundamentally flawed; in each case, power is being taken away from local people. The real effect of such vast areas of unitary administration would be to deprive towns of their individual and distinctive voices in representative local government.

One of the proposals in moving to some form of unitary status is the setting up of community boards, but I simply do not understand what they will do. They will be locally based committees of the unitary council; their meetings would be where local concerns are discussed, community priorities are agreed and decisions are taken about what the unitary council's local budget should be spent on. However, democratically elected parish councils already do an extremely good job locally. In addition, the Devon Association of Parish Councils has regular meetings, hosted, in rotation, by all the towns and parishes in the area. The meetings are attended by: county, district and parish councillors; the police; the fire brigade; health officers; and representatives of the voluntary sector. The meetings achieve nearly all the objectives of the proposed community boards and, thus, another forum is simply unnecessary.

The fourth criterion is to

"provide value-for-money services—services should be provided effectively, efficiently and in an integrated and coherent way, ultimately driving up customer satisfaction".

That seems to be the kernel of the argument. I am not sure whether the affordability and value for money criteria can be met in the current circumstances. Debt has increased, particularly that of the Plymouth, South Hams and Exeter authorities—I believe that Exeter city council has £20 million in Icesave alone. Lessons should be learned from the places where these unitary changes have taken place, not least Cornwall and County Durham. Everyone, even the Liberal Democrats, would admit that Cornwall's authority is not working properly, and County Durham's went completely over budget, as we have heard. My hon. Friend the Member for Bromley and Chislehurst, who spoke from the Front Bench, alluded to Professor Chisholm and Professor Leach's book "Botched Business", which articulates in an almost frightening way what has gone on with these changes.

Another thing that no one has touched on is staff morale. We have paid lip service to staff by saying what a great job they do in local government. I would argue that some of them do a great job in local government. On the whole, people working for local authorities do the job that they are set to do. If they do not do so, they should not be doing the job. There is an enormous degree of uncertainty among employees. I am not talking about the councillors, who will move on to whatever council organisation is in place—if they are lucky enough to get selected. That is part and parcel of being a democratic politician. The existing structures contain people who have devoted their careers to working for the organisations, and feel closely associated with them. Their morale is very low, and they will be delivering their services in a difficult time. So, the sooner the Government can scotch this approach, the better.

The changes should be affordable. I alluded to why the Exeter city council bid for unitary status was turned down; it was not affordable or workable. I do not believe that any of these changes would be workable. East Devon district council, my local body, is debt free, whereas Devon county council is more than £500 million in debt. Its debt has risen steeply, from £365 million in 2003 to £614 million now. That is an increase of about £250 million in five years. When the Minister talked about the effects of a credit crunch, he was perhaps underestimating the effect that the economic downturn will have on the delivery of local services.

One needs only to look at the different sections of the front page of *The Times* today, which state:

"Nearly 10,000 jobs are to be lost and up to 100 courts could close as budget cuts hit the public sector."

Mark Serwotka, the general secretary of the Public and Commercial Services Union, articulated the union's fears when he said:

"Banking bailouts should not be at the expense of public services."

The article also states:

"With most experts forecasting that unemployment will exceed government estimates, the bill for welfare payments is almost certain to rise further... £1 billion of policy initiatives are in jeopardy".

It also states that cuts in jobs in the prison, probation and court services,

"along with a freeze on new recruits or the use of agency staff, could lead to the closure of up to 100 courts."

That is just the beginning. To use an Icelandic analogy, it is the tip of the iceberg. Things will be very serious for local authorities in the months ahead. It is more important than ever that they should deliver first-class services in an affordable and efficient manner while they are under that great strain.

Others have spoken in far greater detail than I shall about the emergency intervention that the Government will make with the LGA, about the £300 million of English and Welsh councils' assets that it is hoped will be recovered from the two Icelandic banks and about the 116 councils and other organisations that are affected by that problem.

In this debate, we are talking about what local government is meant to deliver in these difficult times. In my local council area, there are concerns about the move by Government to help first-time home buyers, which will take millions of pounds out of the regional budget for business investment according to the South West of England Regional Development Agency. Ministers have decided that the £300 million HomeBuy Direct scheme to support first-time home buyers should be funded through a partial reallocation of existing RDA budgets. That will mean that £20 million or £30 million will effectively be taken out of the RDAs' budgets for their current projects. That reallocation will largely affect the RDA expenditure in 2010-11 as things stand.

The leader of my district council, Sara Randall Johnson, has asked the Minister for the South West and the RDA to ensure that that money is spent in the south-west. It is important, if money is to be taken out of the south-west's RDA, to ensure that that money is spent in the south-west region. We have yet to receive an answer, so I would be grateful if the Minister could respond in due course.

East Devon district council, incidentally, is also asking to use the £5.4 million that it has in housing revenue subsidy, which is paid back to Whitehall, to fund new housing initiatives in east Devon. Other local councils might take note of that. It will be enormously important if the council can get that money back to fund housing because we already have about 4,500 people on the housing waiting list in east Devon. That figure grew during the last financial downturn. Inevitably, people with small businesses borrow against their properties and when the business closes the mortgage becomes unaffordable. That means that they hand their key back and turn up at the housing authority asking to be housed. We will see that happen over the coming months. The Government should consider seriously the bid made by East Devon council, as a locally and democratically accountable organisation, to be given back that £5.4 million to spend on the ground, where the council is best able to identify the need.

The Secretary of State was asked yesterday, I think, about the accountability of regional Ministers. It seems to me that regional Ministers are phantom Ministers. In my case, the Minister for the South West, the hon. Member for Exeter (Mr. Bradshaw), has a pretty full-time job, I should imagine, at the Department of Health. There is no way in which one can hold a regional Minister to account in his capacity as regional Minister. He is not accountable to Parliament and I do not believe that he has an additional secretariat provided by Parliament to do his job. If he is a spokesman for the south-west, why do we not hear him speaking up for the south-west a little more than he does? I am not singling out the Minister for the South West—I would make the same comment about every regional Minister.

We know that there is an internal Government wrangle between those who want to set up regional committees to hold the regional Ministers to account and those who resist the idea of such committees. We do not know how much they will cost or how they will be staffed. Would employing professional staff mean that Government grew even bigger?

The present situation is hopeless. The Prime Minister is committed to setting up the unelected and unaccountable regional assemblies that are the brainwave—if that is not an oxymoron—of the right hon. Member for Kingston upon Hull, East (Mr. Prescott). We would be glad to see the back of those, but getting rid of them would mean that planning and other powers were transferred to the RDAs, which are far from satisfactory in other ways.

We need to look at how local services are delivered. There was an extremely good debate on 7 October in Westminster Hall on regional spatial strategy in the south-west. More than 20 Members of Parliament attended, but none had any clear idea about who would be responsible for the delivery of local housing and budgets after the regional assemblies were abolished. The Minister and the Government need to look urgently at how local democracy is delivered.

I shall end by saying that this is not the time to look at changing local government in my county of Devon. To paraphrase what the Minister for Local Government said at the start of the debate, local government should do what is written on the tin. In Devon, it is working: it could do better, but the two-tier enhanced system is by the far the best and most affordable. In these times of economic uncertainty, affordability must become the key criterion.

6.1 pm

John Mann (Bassetlaw) (Lab): There seems to be a consensus that Government at all levels will need to consider some belt tightening, given the rocky state of the world economy, and we could contribute to that by looking at the number of politicians that we have. There are far too many in Britain today: there are not too many in the Chamber at the moment, although the total of 16 who are here is akin to the number who would turn out for a debate in local government in some areas. However, reducing the presently vast numbers of MPs to 400 would be a good first step in cutting our cloth to fit the times, and reducing the membership of the

[John Mann]

House of Lords from more than 700 to a maximum of 100—I could be persuaded that it should be zero—would be a good second step.

Local government is the third area where there are too many politicians, and we all know that all political parties in many parts of the country struggle to find sufficient people—not just people of the right calibre, but sufficient people full stop—to stand for local government elections. As well as having too many national politicians, we also have too many local ones, and there may well be a consensus in society that politicians should be seen to cut their cloth appropriately.

One problem that is exacerbated in local government is that many of the politicians at each level are employed. The fact that increasing numbers of them are paid for the position that they hold is a change of culture, and it is not necessarily a change for the better. One reason why changes have progressed more slowly than they should have in some parts of the country is that the turkeys have not voted for Christmas—that is, the people involved in local government have not opted for irrational amalgamations in size or structure.

There are two arguments for having unitary authorities in areas such as mine. The first is that neighbouring unitary authorities in south Yorkshire can charge an average of £200 per household more for a band C property, whereas we have to pay for a two-tier structure. Where does the money go? The chaos of the floods showed us that; we saw officers from the district and the county councils meeting to discuss who had the responsibility for sorting out the problems arising from the flooding. It was a classic example of how an irrational local government structure leads to the involvement of too many people, and I hope that the Government will continue to pursue the policy of establishing unitary authorities. The unitary structure is the rational one, and it would be very welcome in areas such as mine. Indeed, I would go further: if councillors are not prepared to move forward on that issue, we should make it much easier for the local electorate to determine whether they wish to have a unitary authority, whether the councillors like it or not. In some parts of the country, that would be welcome.

The term "democratic deficit" has been mentioned; that is an issue that does not get enough of an airing in the Chamber. There is a democratic deficit, but the problem goes much deeper than whether central Government are taking powers from local government. There is a different level of democratic deficit. Let me illustrate the point with a couple of examples.

The village of Misson in my constituency has got the country's only mushroom composting operation. That agricultural operation repeatedly creates a rather pungent odour. The legislation to deal with that is national legislation, but the authority that has to police the legislation is a small district council that is loth ever to spend any money on taking anybody to court, be it to impose an antisocial behaviour order or to deal with companies that pollute the air—illegally, in most people's estimation. It is clear that when the parish council and all local people wish action to be taken, they should be able to get national Government to override the powers that they gave to local government and take power at the behest of the parish council, which represents the views of the local community. That would be democracy in practice. For many years, there has been circular argument about how one gets the district council, which has no specialism in the subject—and why should it?—to police and monitor a specific, bespoke operation.

Let me give a second example: the aggregates levy. In Nottinghamshire, that levy—taken from and paid for, of course, by those quarrying aggregates—goes, via central Government, back to local government and into a central pot. The money is not earmarked for areas affected by aggregate extraction or transportation, but is in a central pot. That is clearly nonsense. Again, the local community and local parish councils in Misson and Scrooby, in transport areas such as Harworth, and in Sturton le Steeple should be able directly to request an element of the aggregates levy, rather than it being circulated back into a central pot for one tier of local government to spend as it wishes.

I give a third example: neighbourhood renewal money. I represent two neighbourhood renewal areas, Warsop and Manton. The money goes to a neighbourhood renewal team. In one case, there is a parish council, and in the other there is not. The funding is managed by the district council on the basis that the money goes to local people. Perhaps that money ought to go through a parish council. I would be interested to know whether the Conservative party even intends to maintain the neighbourhood renewal money; perhaps the hon. Member for Wycombe (Mr. Goodman) could give us an answer in his winding-up speech.

On the local authority business growth initiative, Bassetlaw district council has £1.5 million from the Government for local business growth, but half that money—£800,000—has been earmarked in its budget for job evaluation. The answer that I got to my written question on the subject was, "It's up to local government to decide how the money is spent." Why is money to promote local business growth being spent on job evaluation? Of course job evaluation needs to be paid for, but not from money that is critically needed for business growth. At this of all moments, it is absurd for local councils to make secret decisions to squirrel away business growth money. It is precisely now that we need businesses to grow, so that we can ensure that jobs are available for local people.

The Travellers policy in my locality is a classic case. All the local authorities in Nottinghamshire came together to decide on their Travellers need assessment. There was to be one assessment and one need determined for all Nottinghamshire. Bassetlaw, in its ultimate wisdom, went it alone, and went first. Surprise, surprise, it suggested that it needed 43 Traveller emplacements. There is currently only one Gypsy living in a caravan in the district, but based on a perceived Gypsy/Traveller requirement, it seems that 43 places are needed. That was put in without any consultation with anybody. I asked the Minister to intervene, because local people were not consulted—the matter did not even go to a meeting of elected councillors; the decision was made arbitrarily by one cabinet member—but central Government have no powers to intervene.

Who should receive applications, such as the Showman application to build a site three times the size of Oldcotes village, but Oldcotes parish council? Out of the blue, it

received that planning application, because Bassetlaw arbitrarily assigned it that way. That is not local democracy at work.

The ability of local parish councils and communities to approach central Government directly and have their views considered needs to be greatly strengthened. In planning especially, we need proper powers for local parishes, especially when they have gone through the whole rigmarole of determining their own local development plan and having it agreed as part of the local plan. They should have a bigger statutory role in such matters.

My final, and best, example is the Elkesley bridge. The villagers of Elkesley have needed a bridge over the A1, which has left their village almost inaccessible to the outside world, for 30 years. The decision has to be made by central Government, but the district and county councils do not make that bridge a priority in the regional transport plan. It is left to me and the local parish council to persuade central Government that they should fund that bridge. If we took out those two tiers of local government and allowed the parish council to access central Government directly for a decision, it would enhance local democracy.

My final point concerns the Icelandic situation. The Fitch report for 22 May, given out to local authorities by Butlers, is straightforward. It unequivocally gives the Icelandic banks a negative rating for the first time. We need a proper investigation—at a later stage, as it is not a priority now—to discover why the handful of councils that took decisions after that date did so. Why did they not read the ratings from Fitch? If they did read them, why did they ignore them? Such speculation with council taxpayers' money is a step too far for any authority.

6.13 pm

Mike Penning (Hemel Hempstead) (Con): It is a convention to be courteous to the previous speaker, but I would be misleading the House if I were to be courteous to the hon. Member for Bassetlaw (John Mann). Many of the issues that he has just waffled on about were debated hours ago. If he had been here for the opening speeches or for any of the debate, he would have heard that and not wasted the House's time.

I want to talk about an issue that is very important to my constituents—that is why I am so passionate about it—and that is the Buncefield situation. The incident occurred nearly three years ago on 5 December 2005. Dacorum borough council is not the largest—or the smallest—local authority in the country, but it did fantastically well with that incident and subsequent events. However, many of the issues it has to deal with every day are too big and too complicated. Some are also delicate national issues, but that small local authority still has to deal with them every day.

One issue, which is plain common sense to anyone who understands planning, is that the existing safety planning—the control of major accident hazards regulations—for the depot, which was blown to smithereens by three explosions and the subsequent fire, still exists and can be used by the oil companies, should they wish to rebuild the depot. It is ludicrous in the 21st century that the legal safety regime allows the depot, which was obviously dangerous—the inquiry is still going on three years later—to be rebuilt.

My local authority, like all local authorities, cares passionately about the safety of its residents. I am sure that all hon. Members care about that as well. It would love to say, "Let's suspend the legal planning regulations for that depot at least until the end of the inquiry." The inquiry is still going on, and many of us would like to see a subsequent public inquiry. However, the local authority is fearful of doing that, because litigation would be brought by the large oil companies almost immediately to attack it in the courts on the basis that it does not have the legal grounds to do so. That is where central Government—I have met the Minister for Local Government, who knows my views, and I am sorry that he is not in his place to hear this again—should come in and help local authorities. I am all for local authorities doing as much as they can and for devolving power to them, but when the issues become too big, too complicated and too dangerous, central Government have to help.

The regional authority has provided a degree of help. Frankly, I do not want help from the regional authority; I want central Government to say what is right and what is wrong for the safety of my constituents. The Government cannot continue to say that the powers have been devolved and that it is down to the borough council to get legal advice and to challenge three of the biggest oil companies in the world on the future safety of my constituents.

I am pleased that the Under-Secretary of State for Communities and Local Government, the hon. Member for Tooting (Mr. Khan), who is responsible for housing, is on the Front Bench, and I welcome him to his new role—we have exchanged banter on many subjects over the years. Believe it or not, there is a proposal to build 12,000 houses around the Buncefield site. Everybody knows that the safety zone around the site—it is known as the consultation zone—must be expanded, yet English Partnerships and the Crown Estate, which own the land around the Buncefield site between the M1 and the boundary of Dacorum borough council, propose to build housing on the site.

As it happens, if there is going to be housing in and around my constituency, I would prefer to protect the green belt, which has been earmarked for development since the new town was built, so I would rather that the housing went on the land around the Buncefield site. In that case, we would need a lot of infrastructure, and there would be a lot of problems because the land crosses borough and district boundaries, but if the Government are going to force 12,000 houses on us, the houses should be put there. However, the housing should not be put there if Buncefield is allowed to be rebuilt.

The greatest concern for my constituents is that Buncefield will be rebuilt without learning from the mistakes of the past. There are pressures on the Government and the oil companies to rebuild Buncefield, because the aviation fuel is needed for Heathrow. The simple question that my constituents put to me is why is Buncefield needed for Heathrow, when Heathrow has operated successfully for the past three years without Buncefield? Other methods have been used, such as bringing in fuel from other depots.

Huge pressure is being exerted on a small borough authority that wants to do the best for its community. I am also under pressure, because I have attended meetings with large oil companies at which they said that the Buncefield site was a piece of national infrastructure

[Mike Penning]

that they must be allowed to rebuild. When I meet Ministers, speak to Departments and secure Adjournment debates, the responsibility is always pushed down to the local authority, which does not have the expertise, let alone the funding back-up, to take on the oil companies.

I have discussed Buncefield on many occasions in this House, but I will touch on a related point—only briefly, however, as I want my colleagues to have more time to speak than me. The point is the change in the rules on the business rate for an empty property. The Government have changed the rules so that if a business property is empty, 100 per cent. of the business rate is payable rather than 50 per cent. That may be right or that may be wrong—I do not want to get into the debate about whether it is right nationally—but it cannot be justified in and around the Maylands industrial debate, which is located at the side of Buncefield, where properties were blown to smithereens. Businesses were going to be charged 50 per cent. of the rate, which I still think is an abuse, but they will now be charged 100 per cent. of the business rate, while companies are still trying to decide whether it is safe for their employees to return to those buildings, if they were to decide to rebuild them.

It is morally wrong to penalise an organisation and for jobs to be lost in a constituency simply because there has been an arbitrary change that does not allow a local authority—which, as everybody knows, has no control over business rates—to say, "Hold on a second. We need to protect jobs."

I ask the Minister to speak to his colleagues to ascertain whether there is any way for businesses in my constituency which have been devastated by the explosion—through no fault of their own whatever—to go back to at least the 50 per cent. rate while we assess the problems caused by the Buncefield incident.

6.20 pm

Mr. Brian Binley (Northampton, South) (Con): Patience has its own reward, and I am delighted to take part in this debate. May I declare an interest? It is well known that I am still a county councillor, having served for almost 12 years. I will cease to be one come May, because my constituency and electoral division are not coterminous, but I shall leave with great regret. I join the many who have said tonight that local government has a massively important role.

I want to take issue with the White Paper and its broad aims as stated by the Secretary of State for Communities and Local Government in July this year. She said that the broad aims were twofold:

"to rehabilitate local political activity as a worthwhile activity"

and to pass more power to the people, so that they feel that if they get involved, it will be worth their time and effort. She said that the key themes were about "power, influence and control" for local authorities and local people. I wish I could accept that with any real fervour, but the truth is that for many in my constituency, the very opposite of those words applies to the Government's actions with regard to local government.

The poor Government funding formula under which local government in my area—especially my county council—has to labour year after year has massively reduced local power, undermined influence and detracted from good local government. The major reason is plainly the Government. The funding formula is a disaster for Northamptonshire. The ad hoc adjustments that the Government have made from time to time have proved a disaster for the county and they have meddled unfairly in the distribution of moneys that rightly should have come to Northamptonshire, but have gone to other areas of the UK, seemingly for political reasons. That makes my constituents angry; it is right that that should be said in this place. The shift of resources away from shire counties to other areas—Labour areas, dare I say—has been nothing short of disgraceful. My constituents are well aware of that, and I shall make sure that they continue to be so until the next election.

Let me give some facts to support that assertion. In 2006-07, per head of population, taxpayers paid £2,313 for health and social services in Scotland; for the same services in England, the taxpayer paid £1,915. When we take free prescriptions into account, the gap widens. Nobody can tell me that that is fair in any circumstances; my constituents would certainly not believe that it was. Let me proceed: taxpayers spent £2,109 per head on patients in Wales—more than £194 more than the same per capita payment in England. When we add the fact that the divergence within England is sizeable, we recognise that the funding from national Government for local services in my county and constituency is among the poorest across the board. Again, I say that that is unfair.

In July 2008, when the Institute for Public Policy Research looked into how the Barnett formula was put into effect, it found that Scotland was getting 11 to 18 per cent. too much money for the nation to be treated fairly and that England was getting 1 to 2 per cent. too little—an overall gap of 12 to 20 per cent. Nobody can tell me that that is not partly political. I have heard all the arguments about deprivation. Perhaps this is about the deprivation of future Labour candidates who might not win their seats, for there certainly has to be a better reason than deprivation for that great gap to have occurred.

Mr. Philip Hollobone (Kettering) (Con): I congratulate my hon. Friend on his excellent speech. Is he aware that in the borough of Kettering, for every £4 that council tenants pay to the council, the council is forced to pay £1 to the Chancellor of the Exchequer, not for redistribution to poor housing areas in other parts of the county but to be used in general Government expenditure? Does he agree that that is a stealth tax on council tenants?

Mr. Binley: I fear that it is. I am grateful to my hon. Friend for that interjection. I well know how strongly he feels about the subject, and it is worth repeating many times.

We raised this matter with the then Minister for Local Government, who recognised that local funding for both revenue and capital can be "lumpy" in places. That is a gentle way of putting it; my constituents would put it in slightly harder terms. The formula does not take into account the proper population figures, as was recognised by the Minister some time ago when he told me that the Office for National Statistics had stated that there had been no growth in Northampton and the surrounding areas between 2001 and 2008. It might come as a surprise to him to learn that that figure was wrong. We have had 13,824 new houses built in that

time, and I can assure him that they are not all empty—in fact, people love living in my part of the world and are queuing up to get there. Schooling is very good there, and that has added enormously to the population, but that is not recognised in the funding formula. I could go on about this, Mr. Deputy Speaker, but I know that you will be keen to end the debate at the time you have decided, and I do not want to be cut off in mid-flow.

Another matter that my constituents feel strongly about is the setting up of a quango to make major planning decisions affecting my area, thereby taking those decisions away from local authorities. The quango is called West Northamptonshire development corporation and, by golly, my constituents feel angry about it. Its job is to oversee 100,000 new dwellings and a commensurate increase of 200,000 new people by 2021. That underlines how my constituency and those of my neighbours are growing in population terms. By that time, we will need six upper schools, 18 primary schools, 400 additional hospital beds and 26 doctors' surgeries, to say nothing of policing, leisure services, transportation, sewerage and water facilities—I could go on ad infinitum.

The growth is to be massive, so who is to guarantee the money for that big list of infrastructure requirements? The Government say that they will not do so, but hope to raise it from various means such as section 106 agreements and roof tax. The plans are quite vague. I do not need to tell the Government that house building has dropped off the edge of a cliff, not only in my constituency but in many other areas of the country, and the chances of getting that money are almost non-existent.

What we are going to see? Are we going to see more social housing? There is a need for it. Are we going to see council housing? I support council housing. I know, however, that we will not get the money via the means set out by the Government—from developers or from land taxes of whatever kind. That creates a sizeable concern for my constituents.

Furthermore, not only is the quango in control of planning decisions, but it takes decisions in total defiance of the stated will of the local population. I shall give two examples. There is a new development in the Grange Park area of my constituency. Planning permission was submitted, and all three district councils involved objected. The Environment Agency, Anglia Water and the Highways Agency all objected—I could go on and on, but we know the end of the story. Planning permission was given in spite of the fact that there were no guarantees for the schools, roads and policing that will be needed once those houses are built to help and sustain those who move into them.

All the councillors on the planning body advising the urban development corporation argued that an application for a wind turbine of 147 m on an industrial estate should be rejected. What has happened? The decision was deferred by the officers of the quango, who have every intention, I am told, of passing it on the next occasion. So much for local democracy. So much for encouraging people to take part in local government in a worthwhile and interesting fashion. Why should they when local issues are so deliberately disregarded, and when their role is so deliberately demeaned?

Fine words butter no parsnips, as my grandmother would say. I know that you understand the saying, Mr. Deputy Speaker, but perhaps many young people would not nowadays. The actions of our local quango make the point that the Secretary of State is happy to issue fine words, but the Government's action tells us that they do not really mean very much. That is what my local constituents and other people in surrounding areas believe. So what should the Government do? Let me be bold—let them be bold, too—and see whether I can get a response from them. We should remove the planning function from the urban development corporation forthwith and restore it to the local authorities that were elected to carry out that function. The very fact that something does not suit a Government plan is one of the reasons why we have local government. It is one of the very reasons why we devolved power. That is what the Secretary of State says we need, but the Government's actions deny their words.

Secondly, we should review the funding formula and simplify it to make it more robust. It should react to population increases in real time and ensure that the people I represent are treated fairly. They are not at the moment, and local government is suffering. When I was a finance portfolio holder, I had to cut £45 million and another £41 million in two consecutive budgets. Finally, we should scrap the Barnett formula and create a new one that more fairly distributes taxpayers' money between the various regions of the UK, taking into account the factors that it needs to, but not allowing for the sort of political manipulations we have seen. The Government should stop the spin, act upon their fine words and restore faith to the system. If they did, my constituents would be delighted, but I fear that the Government are not going to have the courage to act in that way.

6.34 pm

Mr. Paul Goodman (Wycombe) (Con): Although my hon. Friend the Member for Bromley and Chislehurst (Robert Neill) cheered us all up with his knockabout attack on the various follies and errors in Government policy, the debate has necessarily been rather sombre, given the background. It has also been thoughtful and constructive, and I want to respond to some of the main points.

I am sorry that the Minister is not in his place—doubtless, he will scurry in shortly—because I wanted to congratulate him on his elevation to the Privy Council. In the light of that good news, I expected many Government Back Benchers to flock in to support him. However, at the start of the debate, only two were present, neither of whom—how can I put it politely and diplomatically?—is famous for supporting every dot and comma of Government policy. Nevertheless, the Minister did his usual excellent job, in his polite, thoughtful and constructive way—and we are grateful for his comments about the Icelandic banks—of defending the indefensible.

The hon. Member for Falmouth and Camborne (Julia Goldsworthy) presented the argument, as I expected, for local income tax. To put it mildly, we do not agree with her. We do not believe that, at this point in the economic cycle, with a downturn looming, we should impose more taxes on hard-working families. However, I am determined to agree with her about something, and I agreed with her intervention about IN35, one of the indicators that measures PVE—preventing violent extremism. She was right to point out that the Government should ensure that money does not go to extremists, but that local councils should have the maximum flexibility to use PVE money as they want.

[Mr. Paul Goodman]

The hon. Member for Blyth Valley (Mr. Campbell), who has not returned, made a doughty defence of his local interest. The hon. Member for Bassetlaw (John Mann) asked me for a commitment on neighbourhood renewal money. I am sorry to disappoint him, but I am not in a position today to write on the Floor of the House our general election manifesto on every pot of money that the Government produce. I know that he will be disappointed, but I am afraid that he must live with that.

My hon. Friend the Member for East Devon (Mr. Swire) made, as always, a polished and assured speech, and demolished the various follies of unitaries. He made a telling point about parish councils, which do a job that the Government seem to want to reinvent.

My hon. Friend the Member for Hemel Hempstead (Mike Penning) reverted, as one might expect, to the Buncefield fire, a subject that he has raised many times. It proved again, were proof needed, that he is capable of phenomenal hard work on behalf of his constituents.

My hon. Friend the Member for Northampton, South (Mr. Binley) brought all his council experience to bear—I am sorry to hear that he is finally to leave his local government post—on various aspects of Government policy with which he disagrees.

I want to ask a few questions about community cohesion, especially about the way in which the Department perceives the role of local government in helping prevent violent extremism—an aspect of local authorities' work that we have not discussed so far. I will make three brief points about that.

First, it is wrong to assume that violent extremism is the monopoly of any particular ethnic or religious group. It is worth noting that, in the past year, a neo Nazi from Yorkshire was sentenced for serious offences under terrorism legislation for designing violence to be committed specifically against Muslims.

Secondly, we must recognise, however, that the main threat to public safety—to Muslims and non-Muslims alike—comes from those who would exercise violence in the name of Islam. I would like quickly to make the point that it is not often appreciated that Muslims face a particular difficulty, because the aim of al-Qaeda is to drive out mainstream Muslim leadership and replace it.

Finally, many people talk about the causes of violent extremism and give different reasons for it—the failures of multiculturalism, foreign policy, discrimination, and so on. The point is that local government has to pick up those issues and deal with them. They are not just a matter for national Government. I appreciate that the Minister will not have time to answer all my points, so I would be grateful if he indicated that he will write to me about any that are outstanding.

Government policy on preventing violent extremism has been through three main phases since 2007 and the horror of 7/7. The first was to work through the preventing extremism together programme, with which I know the Minister was involved, with partnership organisations at a national level. The second phase, begun after Tony Blair rushed out his famous—or notorious—12-point plan, saw the Department for Communities and Local Government in the driving seat and the start of the preventing violent extremism programme or PVE, the flagship DCLG scheme. The third and current phase sees the Home Office back in control, seeking a more targeted approach. We must all hope that the latest strategy works, and of course we entirely support its aim of preventing extremism and supporting moderation. However, it raises questions about the future of PVE and the role of local authorities.

As I have told the House before, we must recognise that targeting taxpayers' money at one faith community is problematic. None the less, given the seriousness of the threat of violent extremism, we have supported PVE and continue to do so. Indeed, I pay tribute to some of the good work that I have seen up and down the country. However, we must recognise that considerable sums are being invested in PVE—some £45 million this year and the next two years, on top of the £7 million or so that was spent on it last year. It is vital to ensure that the money is effectively spent.

The Department should therefore surely support an independent study of the scheme's effectiveness in achieving its indispensable aim of preventing violent extremism. If Ministers will not commission such a study, questions are increasingly bound to be asked about whether the scheme, which works through local authorities, is achieving its aims. We have to be sure that it is doing so. Will the Department commission an independent assessment of the effectiveness of PVE?

In July, the Secretary of State announced that she planned to establish a new board of academic and theological advisers. I previously floated the idea of a privately financed institute of British Islam to achieve the same aim and we have some reservations about the danger of the state being seen to impose a preferred model on British Muslims. Will the Minister say whether members of the board have been appointed yet and, if so, who they are, whether they have met, whether they will publish any reports and what role local authorities will play in the process, if any?

We are aware that the Mosques and Imams National Advisory Board published a draft constitution last year and obtained responses, and has since published a second draft constitution in the light of those responses. We would be grateful if the Minister said when MINAB will publish a fully fledged constitution and what plans there are, if any, for links between MINAB and local authorities.

In closing, I make no apology for returning to the implications for community cohesion and local government of sharia courts in the UK, a matter on which the new Minister quite properly opined last weekend and which we discussed yesterday. As both I and the Minister intimated yesterday, my hon. and learned Friend the shadow Home Secretary has received a letter from the Home Secretary confirming that Muslim arbitration tribunals were established in Britain last year. We have no objection in principle to the use of arbitration vehicles, including such tribunals, to resolve private family and contractual disputes. However, those tribunals will clearly be run by sharia judges and are therefore likely be marketed to Muslims as state-licensed sharia courts. There are, in particular, important questions about whether Muslim women will always come before such tribunals voluntarily.

I want to put it on record that we are deeply concerned about the paucity of information that we have received from the Home Office and about the implications,

therefore, for community cohesion. This is a subject of great public interest, as the Archbishop of Canterbury, for one, will confirm.

Ministers do not appear to have announced the establishment of these tribunals last year. They have not said how many there are, or who was consulted. They have not told us who the mediators or judges are, how many cases have been heard or what measures are in place to protect women. The House and the public are being told very little. I was grateful to the Minister for confirming yesterday that he will use his good offices to clear up these matters, by ensuring that we get answers in writing, but our message to Ministers this afternoon is that they should not take refuge in letters that conceal more than they reveal.

I could close this debate in the manner in which my hon. Friend the Member for Bromley and Chislehurst quite properly opened it, by attacking all the flaws and follies of Government policy in relation to centralisation, the target culture, the planning quangocracy, the gimmicks—such as doughnuts for voting—to which my hon. Friends have referred, and people pressing buttons when councillors are not even in the chamber. Or I could refer to the absurdities of the Standards Board for England, about which so many councillors complain.

However, given the questions that I have just raised, to which I am seeking answers from the Minister, I would like to end on a note on which I think the whole House can agree. The challenges of violent extremism are clearly serious. If we are to succeed in tackling it, much of that success will depend on the effectiveness of an unwritten social contract between British Muslims and non-Muslims. Non-Muslims, such as me, all the non-Muslim Members of Parliament and others, have to make Britain a warm place for mainstream Islam and acknowledge the contribution that Islam has made to the west in the past, is making now and will surely make in the future.

The other side of that social contract is that Muslims themselves must continue—as the majority do—to seek to drive out support for terrorism and extremism. The success of that social contract will depend on what is effected not only at national Government level but at local government level, where local councils have responsibility. That is the forum in which many of these great issues will be decided. I look forward to hearing the Minister's reply.

6.47 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Sadiq Khan): It is a pleasure for me, Mr. Speaker, to wind up a debate for the first time with you in the Chair, and that its subject should be local government. I was a councillor for 12 years, serving with great pride in the ward of Tooting in the London borough of Wandsworth. The hon. Member for Bromley and Chislehurst (Robert Neill), who opened the debate for the Conservatives, also has considerable experience in that regard.

When the Minister for Local Government opened the debate, he spent almost an hour talking about local government, and he rightly went into huge detail about the consequences for local authorities of the problems in Icelandic banks. The fact that we have ended our debate with a discussion on the means of preventing extremism demonstrates the depth and breadth of the issues that local government covers, from the free doughnuts proposed by the hon. Member for Bromley and Chislehurst to the pungent smell of mushrooms in the constituency of my hon. Friend the Member for Bassetlaw (John Mann).

I want to begin by paying tribute to the thousands of local authority employees; who do a tremendous amount of work, and who often dedicate their careers to public service through being council employees, and to the many others associated with local government. I also pay tribute to the thousands of councillors who do such a huge amount of work around the country. Many distinguished Members of Parliament are former councillors; some are about to be former councillors; and some might have become better parliamentarians had they had the experience that some of us have gained in council chambers.

I have only a few minutes in which to touch on many of the points made in the debate. I enjoyed the passion with which the hon. Member for Bromley and Chislehurst talked about the Icelandic bank crisis. He is a West Ham fan, and one can appreciate why he has been quite troubled over the past few days. We were not sure where his passion came from, but we gave him the benefit of the doubt and decided that it was a passion for local government.

The hon. Gentleman brought a smile to my face, as someone who served in the London borough of Wandsworth for 12 years. He will remember when, in 1991, the then Prime Minister decided to set a huge dampening grant for certain local authorities. Westminster and Wandsworth were the two beneficiaries that ended up with a zero council tax. When the hon. Gentleman referred in his speech to "screwing the system", I, of course, knew that he had recently re-read the John Major autobiography, so he knew why some local authorities got a huge whopping dampening grant and could set such low council taxes.

I particularly enjoyed the hon. Gentleman's analysis of local government finance and the robust approach that he took to it, as well as the detail with which he explained the issues. I have to say, however, that although he spent a lot of time—almost 30 minutes—offering a critical analysis, I do not remember any beef in terms of what his party would do if, God forbid, it were to form the next Government. That silence spoke volumes.

The hon. Gentleman spoke about the bonfire of regional bodies that have huge levers to do a huge amount of good and about the bonfire of the standards regime and accompanying regulations that ensure that councillors maintain minimum standards. He will be aware that, in the current climate, there is a debate to be had about the bonfire of regulations in the mid-80s, which some say led to today's problems. We await with interest the evolution of Conservative policy on local government.

My hon. Friend the Member for Blyth Valley (Mr. Campbell) spent considerable time talking about his concerns about Northumberland. I know that my hon. Friend the Minister for Local Government has visited Northumberland and that he was making copious notes as my hon. Friend was speaking. I am sure that some of the points raised will be dealt with via correspondence.

[Mr. Sadiq Khan]

The hon. Member for Falmouth and Camborne (Julia Goldsworthy) spoke about issues ranging from the White Paper and localised business rates to the unfairness of council tax, as she sees it, but the interventions on her demonstrated how unfair we think her proposals are as an alternative. The hon. Lady talked about police authorities and revaluation, but her main concern—and rightly so—was the Icelandic bank crisis and its impact on local authorities. She wanted us to provide more detail about what sort of authorities the 16 affected were—the 13 and the other three that my hon. Friend mentioned. I cannot go into any more detail than did my hon. Friend, except to say two things. First, a joint statement has been published by the Local Government Association and the Government, which the hon. Lady can obtain at the end of the debate. Secondly, the sort of local authorities affected are wide ranging: there is no one type, as they are different councils in different parts of the country and the circumstances are different in each case.

The hon. Lady also criticised us—unfairly, I thought—for following events rather than acting in advance of them. She will be aware that we set up a rapid response team before we knew about the need to use it for local authorities and she will know that its representatives are now helping local authorities up and down the country. I also have to disagree with her analysis and agree with that of my hon. Friend the Member for Bassetlaw, who said that now is not the time for post-mortems or the blame game. That time will come, but our priority now must be to ensure that investments are safe, that jobs are secured and that local authorities are able to serve our constituents. It is not possible to have it both ways. On the one hand, we are criticised for trying to ensure some minimum standards and for trying to help local authorities through partnerships; on the other hand, we are criticised for not having given more stringent advice to councils on where they should invest their money. As I say, one cannot have it both ways: devolution means just that.

I thought that the hon. Member for East Devon (Mr. Swire) made an excellent speech, and I say that in a non-patronising way. As a London councillor and London MP, I will not have experienced first hand some of the changes that he articulated. I know that he feels passionately about the subject and he made a clear case. Let me inform the House that the hon. Gentleman was correct that we are still waiting for the boundary committee's final advice to the Secretary of State at the end of 2008. Until we receive that advice, the Government have no role, so I am not going to comment further on the specifics that we heard this afternoon. I assure the House, however, that we will give proper consideration to the boundary committee's advice and that we will take note of all representations received in the allotted time before we take any decision.

The hon. Gentleman also spoke about the accountability of regional Ministers. He criticised the setting up of regional Select Committees because he saw them as further increasing the size of government, but I am sure he will be aware that Select Committees play a huge role in providing scrutiny of Governments through checks and balances. The hon. Gentleman may not be aware that on 6 November, a debate is scheduled on that very topic and we will see if the recommendations on those Committees are supported.

Julia Goldsworthy: The Minister is absolutely right to say that Select Committees provide an important balance, but does he not think that if the Government were committed to demonstrating Select Committees' commitment to the devolution process, their chairmanships would reflect the political party balance of the region rather than which party is in government? It does not look as though we shall have anything other than a Labour chair of the south-west regional Select Committee.

Mr. Khan: I am grateful to the hon. Lady for that helpful intervention. As she knows from her long experience in the House, those are matters for the House and its administration. I am aware from some of the minutes of the Modernisation Committee, which make pretty turgid reading, that there has been a huge amount of discussion about the issue. I gather that the meetings were more fun that the minutes.

The hon. Member for East Devon also raised a matter relating to the Minister for the South West, my hon. Friend the Member for Exeter (Mr. Bradshaw). I will not go into it, for reasons that the hon. Gentleman will understand. The Minister for the South West is a friend, and an honourable friend.

Mr. Swire: The Minister is being very gracious in giving way. Let me clarify for the record that I referred to the hon. Member for Exeter in the context of the south-west, and pointed out that whatever I said about him could apply equally to other regional Ministers.

Mr. Khan: I think the hon. Gentleman said that my hon. Friend was building a fortress around Exeter so that he could not be defeated. I paraphrase his remarks.

My hon. Friend the Member for Bassetlaw, who is also a former councillor, made an excellent speech. He explained why the White Paper and the forthcoming Bill are so crucial, giving examples of the problems that exist in the current system. The hon. Member for Falmouth and Camborne expressed a similar view when she said that the status quo could be improved, and that we should do our best to improve it. My hon. Friend's analysis of the Icelandic crisis was cool and measured. He rightly said observed that at some stage we must re-evaluate the reasons for the position in which certain councils find themselves, and 22 May is clearly a date that we shall want to revisit.

The hon. Member for Hemel Hempstead (Mike Penning) is a friend, and I always enjoy his contributions. He spends a great deal of time in the Chamber. I recall his raising the issue that he raised today back in the days when I was parliamentary private secretary to the Leader of the House. The Buncefield issue is important to him, and it should be important to the rest of us. As the Minister responsible for fire and rescue, I can assure him that we are considering all the issues relating to Buncefield in the light of the hazards report. I shall write to him, and if he is not satisfied with my response I shall be happy to meet him. I recognise that his passion arises from concerns expressed to him by his constituents, and his own frustration over what he considers to be inaction over the past two or three years.

The hon. Gentleman mentioned empty property relief for business premises. As he will appreciate, on day 10 of my new job I am not entirely on top of the subject.

Mr. Andrew Robathan (Blaby) (Con): Sort it out!

Mr. Khan: The shadow Deputy Chief Whip is heckling me from a sedentary position. I ask him to give me time. We shall see what we can do.

The hon. Member for Northampton, South (Mr. Binley) made an interesting speech. He spoke of the way in which the south is deprived by the rich, the way in which the relative-needs formula is unfair on his constituents, and the way in which his council is poorly funded. Some of us talk of a victim mentality. That applies not just to certain groups or communities, but to certain Members of Parliament and councils who speak of what they consider to be partial funding. But let me add, in fairness to the hon. Gentleman, that at least he was brave enough to come forward with a manifesto on local government for his party. He wants to abolish the national standards regime, to change the funding regime and to abolish the Barnett formula. We shall see whether his suggestions are taken up by those on his Front Bench.

The hon. Member for Wycombe (Mr. Goodman) spoke, characteristically, in a partial, unbalanced but witty fashion. I enjoyed his contribution, as I always do. I think that he and I agree on the ends—such as community cohesion—and also on some of the challenges that we face, although I suspect that we disagree to an extent on the means. He was wise to point out that issues of terrorism and extremism are not the purview of a single faith, religion or race, and I am pleased that he gave other similar examples. I shall write to him to answer some his questions, but if he considers a meeting with me to be desirable, I shall be happy to meet him—with or without officials—to discuss the issues that he raised. We need national unity during the times of crisis that he described, as well as at times of economic crisis.

This has been a very important debate, and I congratulate all who were able to take part in it.

It being Seven o'clock, the motion lapsed, without Question put.

Mike Penning (Hemel Hempstead) (Con): On a point of order, Mr. Speaker. I do not want to pick on any particular Member, but many of us have sat in the Chamber for hours today during this very important and detailed debate with contributions from all sides, and it is enormously frustrating for those of us who have sat here for so long to find that a Member has walked in and sat on an empty Bench in another part of the Chamber and got preferential treatment because a Deputy Speaker had no choice but to call them, even though they have not participated in the debate and do not know what comments have been made from the Front or Back Benches. As I have said, this is not particularly an attack on the Member who did that, but it is hugely frustrating for Back Benchers who sit here for hours on end trying to speak in an important debate. What protection can you give us, Mr. Speaker?

Mr. Speaker: Order. This is difficult. I am the custodian of the rules, and anything that happened here tonight was within the rules. If it is any comfort to the hon. Gentleman, let me tell him that these things happened to me in 1979—that is going back a wee bit—when I was sitting on the Benches the hon. Gentleman is sitting on now. So these things have happened before. However, perhaps I can use this opportunity to put on the record that I expect Members—if possible, as I know there are other pressures on them—to be present for the opening speeches. They should at least hear the Government Front-Bench and official Opposition speeches; that is no disrespect to the Liberal Democrats, but that is the way it should be. If Members then have to leave the Chamber, perhaps they can come back and hear as much of the debate as possible. It has also come to my attention that sometimes official Opposition spokesmen and women and Government Ministers do not return for the wind-ups—that has not been the case in this debate, but it has happened in other debates—and I am putting on the record that I expect the same of Front-Bench Members as I expect of Back Benchers. With that little lesson over, I think we can move on to the Adjournment debate.

University Research Funding

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Blizzard.]*

7.1 pm

Mr. Chris Mullin (Sunderland, South) (Lab): I welcome my hon. Friend the Minister to his new responsibilities. I realise that, having been in office for only a few days, he will have to stick closely to his script, but I hope that when he has had a chance to go away and reflect on the arguments advanced this evening, he will realise the sense in what I am saying and take whatever action is necessary.

At the outset, let me acknowledge that the Government have greatly increased the funding available from the science and innovation budget for high-quality research; last year it amounted to £1.5 billion, and it is due to increase to £1.9 billion by 2010-11. That is to be welcomed. The problem is that most of it goes to a small number of institutions, with the majority receiving relatively little. While this is good news for the universities that receive the bulk of the research funding, it has a negative impact on the research infrastructure of universities such as the one I represent—Sunderland. It is also, I submit, not in the national interest.

As the Minister will know, research funds are allocated by the inelegantly named HEFCE—the Higher Education Funding Council for England. It takes the form of an annual allocation payable over a five or six-year period, according to priorities laid down by the Government. The last allocation was in 2002, when it was decreed that only excellent research of international significance should qualify for public funding. The result was that just 19 universities received 76 per cent. of the available funding. Newcastle, for example, received £33 million, while Sunderland got just £1 million—and that despite the fact that Sunderland was rated in 2001, by *The Times*, as the

"best new university for research".

Were the same criteria to be applied this time around, the result, inevitably, would be that the same universities would benefit and that the research capacity of other universities would continue to wither.

I should make it clear that this is not a plea for a lowering of standards. Everyone accepts that it would make no sense to spread resources so widely that standards become diluted, and that only research of the highest standard and relevance should be funded. However, we do not accept that excellence is confined to such a relative handful of universities, or that little or no account should be taken of research of national significance.

If current policy is continued, we shall inevitably see a widening gap between the haves and the have-nots. The best and brightest graduates and academics will drift away from the four fifths of universities at the lower end of the funding table, and the capacity of those universities to offer postgraduate courses for domestic or international students will continue to diminish. Some of our best brains will have no chance to fulfil their true potential, and our economy may suffer as a result.

To give an example, Chris Bishop, the former professor of computing at Aston university, went on to head the Isaac Newton Institute for Mathematical Sciences at Cambridge and is now deputy director of Microsoft Research. I wonder whether he would have been able to make that leap had Aston been starved of research funds, as Sunderland has.

It is a fact not generally recognised that British companies prefer to do business with a local university. The Lambert review of collaboration between business and universities, prepared for the Treasury in December 2003, stated that

"firms with local markets chose to work with a local university in almost 90 per cent. of their collaborations."

That is certainly the case in Sunderland, where the university has enjoyed a close partnership with Nissan. Indeed, it is arguable that the partnership between Nissan and the computing and technology department of Sunderland university has helped Nissan to achieve cost reductions that have kept the company in the UK. It is one of the largest manufacturing companies in the country, so keeping it here is surely in the national interest. Yet under the criteria currently applied, such a collaboration has not qualified for public research funding since 2001, even though it has been assessed as nationally excellent.

As the Minister may know, the economy of Sunderland and the north-east has undergone dramatic changes in the past 15 years. A huge swathe of our traditional industry—mining, shipbuilding and engineering—has been swept away by the remorseless onslaught of the global market. We have had to reinvent ourselves, and we have done so with some success. Besides attracting Nissan and its subsidiaries, Sunderland is promoting itself as a centre for software businesses. The university, along with local companies such as the Leighton Group, is playing an important part in that with nationally excellent and internationally recognised research in software and digital technology. However, under the current rules, little or none of that research, which is so important to the local, regional and national economy, attracts public funding. That does not make sense.

It is a matter of record that universities that do not qualify for significant public funding have a much better record of leveraging in funds from industry and elsewhere than those that do qualify. On average, Russell group universities, which receive the bulk of the core public research funding, attract less external funding than they receive from the public purse, whereas Sunderland, for example, has attracted more than four times as much funding from local industry and elsewhere than it has received in core public funding. The weakness of having to fund research on an ad hoc basis, however, is that the funds are not dependable and predictable in the same way as public funds allocated on a stable basis over a five or six-year period.

I emphasise that I am not making a plea for a lowering of standards or for tearing up the rulebook and starting again. I merely request a tweaking of the criteria, to permit perhaps 10 per cent. of the research and innovation budget to be spent in universities that specialise in research of national, as opposed to international, significance.

Mr. Philip Hollobone (Kettering) (Con): I congratulate the hon. Gentleman on his remarks, because I am 100 per cent. behind him. Many of my constituents attend the university of Northampton, which would like to access this quality-related funding. To many of my constituents it would seem absurd that 76 per cent.

of this budget should go to just 15 per cent. of the universities. The modest proposal that he is making would mean £5 million or £10 million a year for many more universities, which would make a huge difference to their budgets.

Mr. Mullin: I am grateful for the hon. Gentleman's support. I have referred to the university in Sunderland, the city that I represent, but it is undoubtedly true that many of the newer universities would benefit from such a measure and that they should do so. Were the Government to allow perhaps 10 per cent. of the research and innovation budget to be spent in universities that specialise in research of national significance, the benefit to the UK would be disproportionate. Such an approach would allow many more universities to create and maintain strong research infrastructure and to respond to newly emerging markets, and that could only be to the lasting benefit of the economy as a whole.

Finally, I hope the Minister will not tell me that it is beyond his power to do any of this, because although final decisions are for the funding councils, the priorities and criteria are a matter for the Government. The allocation for the next five years is due to be announced in January, so time is short. I hope that he will take action as soon as he returns to his Department.

7.11 pm

The Minister of State, Department for Innovation, Universities and Skills (Mr. David Lammy): I am grateful to my hon. Friend the Member for Sunderland, South (Mr. Mullin) for raising what is obviously a very important issue. I know that he has worked closely with the university of Sunderland for many years. I hope he is aware that in my previous post as Skills Minister, I had occasion to visit the north-east, spending time in the Sunderland region. I know of the exemplary work being done in further and higher education in that region. I am also aware that maintaining links with industry has been key to some of the successful regeneration in that area. I very much respect the manner in which he made his remarks and the urgency with which he considers this issue.

The university of Sunderland undertakes innovative research in a variety of subjects. I was particularly interested to learn that its scientists have recently developed a hydrogen-powered car, in collaboration with Nissan—that is clearly a huge step towards tackling climate change. That product could be experienced by people not only in Britain but all over the world, and it results from the research at that institution.

A modern knowledge economy needs a thriving research base, and the university sector is a key part of that. The Government invest in university research through the dual support system. My hon. Friend mentioned the Higher Education Funding Council for England funding of £1.5 billion rising to £1.9 billion, in addition to which sizeable funding is provided through the research councils. We have been able to double that in real terms from £1.3 billion in 1997 to £3.4 billion in 2007-8. By the end of this spending review period, my Department's funding of research through the HEFCE and the research councils will reach almost £6 billion per annum, most of which will go to our universities.

Our investment in research feeds through into improvements in the quality of life and the economy in a range of ways: it helps companies to develop new products and services; it creates new businesses; and it attracts research and development investment from global business. Research also helps to improve our public services—we need only consider the benefits in terms of health care and our beginning to understand the vexed issue of climate change. I might say, too, that policy makers can also benefit from working with that research base. Finally, of course, the process of undertaking research helps by developing highly skilled people who can enter the marketplace and work in it.

At the end of my hon. Friend's speech, I noted a request for 10 per cent. of the quality-related research funding to be top-sliced and distributed differently. Even though I have been in post for only a week, I have been an active Minister and I had dinner with the Million+ group, of which the universities of both Sunderland and Northampton are a part. The issues were put forcefully to me just a few nights ago.

My hon. Friend will understand that this country has a diverse range of universities. In my conversations with Universities UK, the Russell group of universities and the 1994 group of universities, I have heard a range of views. The idea proposed by my hon. Friend is one of a number in relation to research funding that have been suggested by people in the university sector.

I respect the way my hon. Friend felt able to support the principle that investment in research is built on the key plank of focusing that investment on excellent support. The 10-year science and innovation framework, which was published in 2004, emphasised two important objectives: the need for world-class research at the UK's strongest centres of excellence and the need for sustainable and financially robust universities and public laboratories across the UK.

Mr. Mullin: The difficulty is with the definition. As I understand it, the research favoured at the moment is classed as internationally significant, but I was talking about trying to widen that definition slightly to include some research of national significance. I gave the example of the fact that the collaboration between the university of Sunderland and Nissan had helped to keep that company in this country. As it is one of the largest manufacturing companies in the country, it must be in the national interest to go down that road.

Mr. Lammy: I was coming to that point. I think my hon. Friend's example showed national excellence and, as a consequence, international excellence. Nissan, of course, is a global company and we are living in a global world. In restating the principle, I simply say that we should fund excellence. Notwithstanding the difficult global financial times that we are entering, as the fifth richest economy in the world we must look to fund world-class excellence. The range of universities receiving funding covers a broad sweep of our university base, and all that money is funding excellent research, wherever it is in the country and whatever diversity is offered by a given university.

Let me return to the commitment that we made in the science and innovation framework, which was:

> "UK research funding from Research Councils and HE funding bodies will continue to be driven by excellence wherever that may be found."

That was the stated principle, and I hope it goes to the heart of what my hon. Friend was saying. The Secretary of State has restated our commitment to the very best

[Mr. Lammy]

research and I am happy to restate that position now. Within the framework, Government support has helped the UK research base to sustain an excellent performance against strong global competition.

The UK is second only to the US in global scientific excellence. With 1 per cent. of the world's population, we carry out 4.5 per cent. of the world's research and claim 8 per cent. of scientific publications. Our science is the most productive and efficient in the G8.

Research excellence is widely spread. My hon. Friend referred to the 2001 research assessment exercise, in which 75 higher education institutions across England with at least one department rated 5 or 5* took part. Institutions with several excellent departments receive correspondingly greater allocations.

I am of course aware of the concerns that fundamental or blue-skies research, such as investigating the origins of the universe, is favoured in an unhealthy way over research that is done jointly with business or with a clear application in mind, and the HEFCE and the Department share those concerns. A new research assessment exercise is under way, with the results due in December, and it will form the basis of the allocations for the next academic year. I know that the HEFCE has made a number of changes to improve the exercise and give it the clear goal of properly valuing excellence across a range of research types. That will include applied research and research with business, wherever that is conducted.

My hon. Friend is rightly proud of the work that his university does with business, and the Government very strongly support collaboration between universities and business. With support from the Government, the higher education community has transformed its relations with business over the past decade. Different businesses want different things from higher education, but some are motivated to access the best research in the world, wherever that may be. The UK has reaped the rewards, through inward research and development investment by international firms.

My hon. Friend mentioned Microsoft, which has made a major research and development investment. I could also mention Boeing's investment in Sheffield's advanced manufacturing research centre, or Hewlett Packard's research at Bristol. There are many more examples but I recognise that, as my hon. Friend emphasised in his contribution, many firms will want to work with a local partner that can help to solve a local or specific problem that may well be of national interest.

I know that the university of Hertfordshire has taken an extra step and merged with its local Business Link organisation to support businesses further. One benefit of our higher education system is its diversity, which allows different institutions to play to their strengths. That understanding of diversity and range has really emerged only over the past 10 years.

Ensuring that we have an excellent research base is the starting point for encouraging work with business, but it is by no means the end of the process. Recently, the HEFCE has started to allocate part of the quality research funding to reward research income from businesses, while the higher education innovation fund invests in knowledge transfer capability between higher education and business. That fund helps institutions to attract further funds from businesses and other users, and it also helps to support collaborative and contract research as well as consultancy and training.

The innovation fund is deliberately spread more widely than research funding, and it is important to note that Sunderland university will receive more than £4.3 million from it over the three years to financial year 2010. Many of the organisations receiving the maximum allocation under that fund are not among the major research institutions.

We have also created the new technology strategy board, one of whose key aims is to help businesses to access the best research base. Of course, it is early days, but as a result of setting up the board, we are doubling the number of knowledge transfer partnerships. Those programmes have been running for many years, and they are a highly respected way for universities to work with businesses. Again, many of the institutions that do well in attracting those funds are not the biggest research institutions.

We are also working with the regional development agencies to introduce innovation vouchers to encourage small and medium-sized businesses to work with a range of universities. All that is bringing great rewards and inward investment. There has been a huge increase in interaction with businesses, public services and others, and the latest higher education business and community interaction survey shows that the income going to universities from users has risen to almost £2.6 billion per annum.

The importance of universities in the 21st century was further recognised when the Department for Innovation, Universities and Skills was created by the Prime Minister in June 2007 to ensure that the issues that my hon. Friend raised were on the table, and that the dual-purpose nature of our funding base was brought together. The importance of that mission is made greater still by current economic circumstances. Indeed, when he created the National Economic Council earlier this month, the Prime Minister stressed the need to continue to equip the economy with the right investment in skills, in science and technology, and in our infrastructure.

In partnership with the community, the Government have transformed the research base. In these tougher economic times, I hope to get us to a point at which local innovations for local businesses, and other innovations, are world-class, follow an international template, and provide opportunity for the country. Indeed, Sunderland university is one of the institutions doing all those things. I hope it will continue to provide jobs, opportunities and innovation for local people in future. The new research assessment exercise will runs its course, with the changes that I have outlined, and both the Government and the HEFCE will be aware of the points that my hon. Friend raised.

Mr. Mullin: I very much welcome what the Minister says. May I pin him down on one point? Will he confirm that I am right in thinking that although Ministers obviously do not have a say in the day-to-day allocation of funds, they do set the priorities and the criteria? Secondly, will he confirm that he will be talking to the HEFCE about its priorities for the next funding round?

Mr. Lammy: I can confirm both those things. My predecessor, my hon. Friend the Member for Harlow (Bill Rammell), was in dialogue with the HEFCE about the new arrangements for the research assessment exercise. My hon. Friend is right to say that the HEFCE will come back to the Department towards the end of the year. Given the importance of our universities, individual allocations must rightly be independent of Ministers. Ministers cannot cherry-pick for particular universities, and we must absolutely protect the integrity of that approach. However, he is right to say that the framework for that research must be set by the Government and the HEFCE, working in co-operation.

Mr. Mullin: When the Minister next talks to the HEFCE, will he put to it my suggestion that 10 per cent. of funding—we can argue about what the percentage should be—be put into quality, or excellent, research, of national, as opposed to international, significance?

Mr. Lammy: I repeat that the HEFCE is well aware of those representations that have been made, especially by the Million+ group of universities, and by other representative groups. I understand where my hon. Friend is coming from, and I also understand where the hon. Member for Kettering (Mr. Hollobone) is coming from. The HEFCE is well aware of the concerns, and the conversation continues. The importance of our research base and the work done in our universities is something that I am very pleased to emphasise this evening.

Question put and agreed to.

Adjourned accordingly at half-past Seven o'clock.

House of Commons

Thursday 16 October 2008

The House met at half-past Ten o'clock

PRAYERS

[MR. SPEAKER *in the Chair*]

PRIVATE BUSINESS

LONDON LOCAL AUTHORITIES (SHOPPING BAGS) BILL
(BY ORDER)

Order for Second Reading read.

To be read a Second time on Thursday 23 October.

MANCHESTER CITY COUNCIL BILL *[LORDS]*
(BY ORDER)

Order read for resumed adjourned debate on Second Reading (12 June). That the Bill be read a Second time.

Debate to be resumed on Wednesday 29 October at Four o'clock.

BOURNEMOUTH BOROUGH COUNCIL *[LORDS]*
(BY ORDER)

CANTERBURY CITY COUNCIL BILL *(BY ORDER)*

LEEDS CITY COUNCIL BILL *(BY ORDER)*

NOTTINGHAM CITY COUNCIL BILL *(BY ORDER)*

READING BOROUGH COUNCIL BILL *(BY ORDER)*

Orders for Second Reading read.

To be read a Second time on Wednesday 29 October at Four o'clock.

Oral Answers to Questions

INNOVATION, UNIVERSITIES AND SKILLS

The Secretary of State was asked—

Apprenticeships

1. **Jim Sheridan** (Paisley and Renfrewshire, North) (Lab): What steps his Department is taking to support the provision of apprenticeships in the construction industry in the current economic situation. [227247]

The Secretary of State for Innovation, Universities and Skills (Mr. John Denham): Despite the current economic crisis, the most recent construction skills estimate was that there would be more than 40,000 new entrants to the industry every year. We are determined to maintain the highest possible numbers of apprentices in the sector, so we are looking at how we can use the power of Government contracts to increase the number of apprenticeship places. We have set up a clearing house, which has already placed two thirds of apprentices who risk losing their apprenticeships with a new employer or training provider, and convened a group of employers and trade unions to advise us on other practical steps that we can take to support the sector. I am clear that we must be prepared to consider new and radical ways of promoting and supporting apprenticeships in the current economic conditions.

Jim Sheridan: I thank my right hon. Friend for that response. He will be aware that despite the economic crisis in the construction industry, there are still some good employers who spend money and time training their employees. However, they are being undermined by unregistered rogue employers who do not pay tax or insurance, thereby undermining the good employers and their businesses. Could my right hon. Friend therefore ensure that, all things being equal, Government procurement contracts are given only to those registered companies with a track record of investing in training?

Mr. Denham: My hon. Friend raises an important point. He will know that in the £2.3 billion capital programme for further education colleges in England we have already made it clear that major new contracts will have to have a training agreement within them. I can assure him that I am discussing that message actively with colleagues across Government, so that we look into every area of Government procurement to see how it can be used to secure the maximum training and the maximum numbers of apprentices.

Mr. Phil Willis (Harrogate and Knaresborough) (LD): I am very supportive of the Government's approach towards apprenticeships, and I think that I speak for my colleagues on the Front Bench when I say that. However, there is a concern, not only about construction apprenticeships, but about other apprenticeships. At the end of the last financial year, £284 million was taken out of the learning and skills budget, £128 million of which was given to higher education to support student grants. How does that attune with what the Secretary of State has said about trying to get more apprenticeships, to meet the target of 500,000 that Lord Leitch set and which the Government supported, and will that money go back to the Learning and Skills Council?

Mr. Denham: I am grateful for the hon. Gentleman's support. We have made it clear through the Learning and Skills Council that we do not want any shortage of money to be a constraint on the number of apprenticeships and we have reinforced that in the past year. There are one or two examples at the local or regional level of people saying that there is no budget for apprenticeships. We have overruled that and made it clear that we will expand the financing going into apprenticeships to meet the demand that comes from employers. With regard to last year's budget, the hon. Gentleman will know that £115 million of underspend last year, the first year of the Train to Gain programme, was reinvested in the further education and skills budget. However, I am more than happy to write to him and the Select Committee on Innovation, Universities, Science and Skills to explain how that was done.

David Taylor (North-West Leicestershire) (Lab/Co-op): A substantial expansion of the newly restored rights of local authorities to build council housing linked to a requirement to take on apprenticeships would be a useful step forward. We have seen the number of apprentices double over 10 years and that is great, but 19 out of 20 employers still have no scheme. Does my right hon. Friend agree that one of the reasons for that might be the paperwork associated with accessing public money for apprenticeships? The paperwork is quite substantial, ranging from the monitoring of quality assurance to retaining data on every apprenticeship for at least six years. Is there not a simpler way of approaching the matter?

Mr. Denham: My hon. Friend raises a very important point. I had quite a lively meeting in my office in July with a number of people from different parts of the apprenticeship system. The farce of people believing that they had to keep vocational qualification documents for six years in paper form for audit purposes is being dealt with, as is the fact that people could not get their accreditation online and had to use a paper-based process. Some of the accrediting bodies are already removing that practice from their procedures. So I can assure my hon. Friend that, whether we are talking about public sector apprenticeships—where the numbers are expanding rapidly—or more private sector apprenticeships, we are determined to deal with the bureaucracy that has been an inhibition in the past.

Sir Nicholas Winterton (Macclesfield) (Con): I have worked in the construction industry, and I have to say that I am quite encouraged by the Secretary of State's remarks. There is no doubt, however, that further trained personnel—particularly craftsmen—are required in the industry, and there should be additional apprenticeships available. At the moment, the industry sucks in too many people from overseas to fill the positions that are vacant. Will the Secretary of State take seriously the points that have been made on both sides of the House on this question?

Mr. Denham: Yes, I will. The hon. Gentleman has raised an important point. I never want us to be in a position where someone in this country loses a job that goes to somebody from another country—whether that person comes here to do the job or whether the job goes there—just on the basis that they do not have the necessary skills. I am determined to ensure that we do not ignore untapped talent in this country, resulting in people losing out. We will look at new ways of approaching the situation, and the hon. Gentleman is quite right to suggest that projects such as the Olympics, the major Crossrail programme and the Government's public sector housing programme will all draw people into the industry, even though the private house building market is very slow at the moment. We will need to look at new ways of doing this, recognising that smaller companies might find it a little more difficult financially than it has been in the past. We will look at those new ways of ensuring that we have a supply of skilled labour.

Dr. William McCrea (South Antrim) (DUP): Will the Secretary of State accept that there is an urgent need right across the United Kingdom to grant the skilled training of apprentices in the construction industry a higher professional qualification and recognition by society?

Mr. Denham: The hon. Gentleman is quite right to raise the question of qualification levels. I want as many apprentices as possible to get the level of advanced qualification that will give them the ability to work on any building site. The other thing that the Government will be doing a lot more of in the next year is promoting the apprenticeship to its real value in society, as a legitimate means of training. Apprenticeships had disappeared in 1997; few people started them, and very few of those people finished them. We have rescued apprenticeships, but we are still on the journey to restoring their rightful position as a mainstream option in the training and education system in this country. That is what we are determined to do.

Mr. John Hayes (South Holland and The Deepings) (Con): It is good to be questioning the Secretary of State, rather than one of the two novices sitting either side of him—[Hon. Members: "Oh!"] But I do not want to be ungenerous. In 2003, the Prime Minister promised that apprenticeship numbers would rise to 320,000. We know that, today, there are just 240,000, and that level 3 apprenticeships have been falling every year since 2000. If the Government are really serious about apprenticeships, will they adopt some of the policies outlined in our green paper? Those include equalising funding for people over 18 doing apprenticeships, providing a cash bonus of £2,000 per apprentice to small and medium-sized enterprises, and helping group training associations, which would again help smaller companies to take apprenticeships seriously and boost their numbers. The Conservatives believe in apprenticeships. Does the right hon. Gentleman, or is it just more fine words and failed policies?

Mr. Denham: I am sorry that the hon. Gentleman has started in such a disgruntled way. A few points off the Conservatives' lead in the opinion polls have obviously put him in a very bad mood indeed.

Let me deal with a few of the statistics, although not all of them. The hon. Gentleman really should not confuse the real progress that we have made with the long-term targets for apprenticeship numbers that we are determined to achieve. They were set out in the Leitch report and we are working towards them. Let us look at advanced apprenticeships. The number of people achieving that qualification—which is what matters—has more than doubled under this Government. Of course, there was a time when there were far fewer apprenticeships, they were all called level 3 and nobody completed them. That was the apprenticeship system under the previous Conservative Government. At that time, no public money was going into apprenticeships.

I was very glad that the policy on group training associations announced by the Conservatives during the summer mimicked directly the one that we had announced in January. I was also very glad that their support for wage compensation for small employers mimicked directly the policy already implemented by this Government. It is really quite ridiculous for the Conservatives to go through our policies, repeat them and then claim that that is evidence of their support for apprenticeships.

NEETs

2. **Mr. Stephen Crabb** (Preseli Pembrokeshire) (Con): How many young people were not in education, employment or training in the latest period for which figures are available. [227248]

The Secretary of State for Innovation, Universities and Skills (Mr. John Denham): The latest figures show that there were 730,000 young people aged 18 to 24 who were not in education, employment or training in England. Around 260,000 of those young adults have caring responsibilities and a further 78,000 have a disability or sickness. Since April this year, we have made it possible for 18-year-olds with a history of not being in employment, education or training to be fast-tracked through the new deal programme on a voluntary basis; and from April next year, early entry to the new deal will be mandatory for 18-year-olds who have been in the NEET category for six months. Since 1997, the Government have increased the numbers of young people active in work or education from 3.9 million to 4.7 million. Through the measures we have taken, we aim to continue that progress.

Mr. Crabb: I am grateful to the Secretary of State for that response, but notwithstanding the measures and results he referred to, one of the principal stains on this Government's reputation is without question that during a decade of economic growth, rising employment and falling unemployment, hundreds of thousands of young people were allowed to fall through the net and effectively do nothing with their lives as they were not in education, not in training and not in the apprenticeships that the right hon. Gentleman mentioned earlier. Now, at a time of economic hardship when jobs are being shed and the cupboards are bare, will the Secretary of State please tell us what measures he can bring to the table today that suggest that he knows how to bring down the number of NEETs at a time of economic difficulty?

Mr. Denham: First, at the risk of repeating myself, what was achieved in the decade of growth was a huge increase in the number of young people in education and employment and, of course, a dramatic reduction over the same period in long-term youth unemployment. The hon. Gentleman is right that, within the overall number of NEETs—it is a much smaller number than in the past—who do not have caring responsibilities, who are not out of work and bringing up their families, who are not among the 80,000 owning or buying their own homes and so living in households with significant incomes, there is a core of people about whom we remain worried.

I would say to Conservative Members, however, that opposition to increasing the participation age for training and work is the worst possible policy. The best way of ensuring that young people do not end up out of work, out of training and out of education is to ensure that, between 16 and 18, they are either in college or in work with training. I regret the fact that the Conservative party rejects the most practical measure that the Government are putting in place to deal with the issue in the longer term.

Mary Creagh (Wakefield) (Lab): Second only to the Isles of Scilly, Wakefield has the second highest rate in the country of young people not in education, employment or training. With 11 per cent. of 16-year-olds classified as NEETs and just 22 per cent. progressing to higher education at 18, despite our excellent GCSE results, will my right hon. Friend sit down with me, Wakefield council and Wakefield college to discuss what can be done to stop that tragic waste of talent during the years before the secondary school age rises to 18?

Mr. Denham: I would be delighted to do so. I know that my hon. Friend is very keen on the development in her area of a stronger offer for higher education. Part of the challenge—it is only part of it—is to make sure that the aspirations of young people of talent and ability are raised to the highest possible level. In some parts of the country, local access to higher education is not as strong as it could be. The Higher Education Funding Council will shortly end its consultation on our new university challenge, which might be one of the issues that we should discuss for Wakefield. A number of other Members have a similar interest for their areas.

Miss Julie Kirkbride (Bromsgrove) (Con): Has the Secretary of State had a chance to look at *The Daily Telegraph* this morning? If so, he will have seen an excellent article by the right hon. Member for Birkenhead (Mr. Field), a former welfare Minister, in which he points out that the number of NEETs under this Labour Government is now at record levels and suggests that the new deal should be scrapped for having failed young people and that the money saved should be spent on better projects in order to deal with the forthcoming economic difficulties that the country faces.

Mr. Denham: I shall undoubtedly read the article with great interest. It is difficult for me to comment, given that I have not seen the article or the statistics that it contains, but I can say that some of the statistics that are currently in play are very misleading. I do not think it fair—*[Interruption.]* May I be allowed to make my point? I think that the hon. Lady will agree with me.

If, for example, a mother decides to stay at home looking after her children and to study part-time, she will appear as a NEET in some statistics, but I do not think that a mother who chooses to do that should be labelled as someone who is not doing something useful or active, and the same applies to others with caring responsibilities. We must accept that there is a much smaller but, yes, hard-core problem involving those who have dropped out of the system and are not engaged in education and training, but I believe that the higher level of conditionality on benefit and the much earlier intervention with young people—particularly those who have already been out of work for a couple of years before reaching the age of 18—is the way to go.

Those core principles are at the heart of the new deal, and my right hon. Friend the Secretary of State for Work and Pensions is making very clear that much more active and much earlier intervention involving more young people is the key to ensuring that they do not stay outside the employment, training and education system for long periods.

Higher Education (Knowsley)

3. **Mr. George Howarth** (Knowsley, North and Sefton, East) (Lab): What discussions he has had on the establishment of a higher education campus in Knowsley. [227249]

The Minister of State, Department for Innovation, Universities and Skills (Mr. David Lammy): We are very encouraged by the interest in our new university challenge policy, and want to extend the benefits of higher education to more people and places. If any proposals are developed, in Knowsley or elsewhere, we shall be happy to meet delegations led by hon. Members to discuss them.

Mr. Howarth: I am grateful to my hon. Friend for his answer. Does he agree that the collaboration involving Edge Hill university in Knowsley and efforts to provide more higher education opportunities at Knowsley community college will pave the way towards establishing a campus in Knowsley?

Mr. Lammy: My right hon. Friend raised this matter with me during my first week in the job. He is absolutely right: the work between the further education college and the higher education college, and the establishment of a new university, are bound to promote regeneration and opportunities for both young people and adults in that part of the north-west. I am very keen to talk to my right hon. Friend further about any proposals. The decisions will of course be made by the HEFCE, but there is currently a great deal of enthusiasm across the country about new universities. That suggests that there is a lot of unmet need out there, which our policy is supporting.

Research Careers

4. **Phil Wilson** (Sedgefield) (Lab): What steps his Department is taking to promote careers in research. [227250]

The Minister of State, Department for Innovation, Universities and Skills (Mr. David Lammy): The Government are currently looking at Professor Nigel Thrift's review of research careers in the UK, commissioned as part of the higher education debate launched earlier this year. We expect it to help in developing our approach to higher education and research careers in the longer term.

Phil Wilson: There has been a 100 per cent. pass rate in all science subjects among students at Woodham community technology college in my constituency. What is the Department doing to ensure that those young people's fascination with science today turns into successful careers in science tomorrow?

Mr. Lammy: I applaud the work being done in my hon. Friend's constituency, which places the institution to which he referred among the very best in the country. He is absolutely right: encouraging an ability in and an enthusiasm for science among young people is key to the country's success in the coming years, and we are working closely with our colleagues in the Department for Children, Schools and Families to achieve that. It is important that young adult scientists are returning to schools, and we are supporting that through our science and engineering ambassadors throughout the country. It is also important that we are supporting young people in those key stem subjects—chemistry, physics and mathematics—with an extra £15 million of investment over the next year.

Dr. Evan Harris (Oxford, West and Abingdon) (LD): I welcome the Minister to his new responsibilities in relation to science. Does he recognise the particular challenge involved in recruiting and retaining women in research careers? Given that they leave universities with high levels of debt, face a continuing pay gap and, indeed, publication gaps due to family commitments, and given that we are starting from a low base—especially in some areas—is there not a particular need for Government to give research councils and other employers the tools to enable us to do better by women in science? We need to retain their talents in research.

Mr. Lammy: The hon. Gentleman is absolutely right. He will, I hope, be aware of the work of my hon. Friend the Member for Crosby (Mrs. Curtis-Thomas) to ensure that women are represented in science and engineering. Indeed, I did some work about that with my hon. Friend in my previous role as Minster with responsibility for skills. The Government have provided direct funding, including pilot funding, to encourage women in those spheres. We are also working with training organisations and trade bodies, particularly in engineering and science, to support women in their careers, including when they are on career breaks because we recognise that when women who have been trained and have an extensive science background leave work to have children, they often come back into science employment at a lower grade, or are unable to regain the positions that they left. We want to support the work of those organisations and trade bodies to ensure that those women are pioneers within science.

Scientific Research

5. **Kerry McCarthy** (Bristol, East) (Lab): What steps he plans to take to improve public confidence in scientific research. [227251]

The Secretary of State for Innovation, Universities and Skills (Mr. John Denham): Earlier this year, when I addressed the Royal Society for the encouragement of Arts, Manufactures and Commerce, I said that our ambition should be to go further than scientific literacy to a more mature relationship between the public, the media and scientists, where everyone understands each other. In particular, that means the public and the media maintaining the same healthy scepticism towards science that they do towards other information that they consume. We are currently consulting on a new vision for science and society, with a key strand focused on creating a society confident in the use of science. That will build on the good work that we already support such as funding the Sciencewise Expert Resource Centre.

Kerry McCarthy: I thank the Minister for that response. One of the less welcome consequences of the UK's success in scientific research has been the increase in the number of animal experiments being carried out year on year. I welcome the fact that his Department has increased funding to look at alternatives to the use of animals in research, but can he assure the House that, as we seek to promote and support our scientific research sector, we will also try to ensure that that research is conducted as ethically and humanely as possible?

Mr. Denham: Yes. I recognise the concerns that my hon. Friend has expressed, which are quite widely held across society. We believe that there is potential to make advances in science and to reduce animal use. Some recent scientific advances, including tissue engineering, stem cell research and imaging technologies, have that potential. She will be aware that the Government have funded the National Centre for the Replacement, Refinement and Reduction of Animals in Research, or NC3Rs as it is known, which is the first centre of its type in the world. The two research councils will give £12.8 million to that centre over the coming three years.

Mr. Mark Harper (Forest of Dean) (Con): The Secretary of State will know that, in 2002, in a speech to the Royal Society, Tony Blair said:

"The benefits of science will only be realised through a renewed compact between science and society."

The Secretary of State set out some recent things that the Government have done, but what did they do over that six-year period to renew that compact between science and society?

Mr. Denham: We did a number of things. The development of the sciencewise process meant that the Government increased not only their ability to consult with the public carefully and sensitively on controversial issues, but how to handle them. We were involved in encouraging the setting up of the science media centre, which is independent of Government, as it needs to be, and it has been critically important.

In some of the major issues, for example, the MMR vaccine case, one of the problems was that the media coverage lacked any independent source of scientific evidence. We all know that real damage was done by the way in which that issue was handled in the media. Since the science media centre has been in place, the quality of public debate has been much better. I refer hon. Members to the House's recent discussions of the Human Fertilisation and Embryology Bill, where the level of public and scientific understanding displayed was much higher. Therefore, I think that over a period of time a lot has been done by Government to improve things.

Mrs. Madeleine Moon (Bridgend) (Lab): One of the ways that we have attempted to build public confidence in scientific research has been through the development of partnership with the business community. As we are facing an economic turndown, one of the areas that we must protect is that research; we must ensure that our companies are at the cutting edge of technology. What is my right hon. Friend's Department going to do to ensure that companies do not see saving on investment in research and development as one of the ways to save money, so that we keep our companies and our country at the cutting edge?

Mr. Denham: My hon. Friend makes an important point. In "Innovation Nation", the White Paper we published in the spring, we recognised the importance of Government procurement in creating the markets for innovative products and services. We will shortly publish the first annual innovation report, and Departments are currently actively working on their procurement planning and on identifying how they will create a demand for innovative products. We have also revamped the small business research initiative, and Departments are now starting to offer new contracts to small start-up businesses for developing innovative technologies. One of the ways we can respond, therefore, is by making sure that Government procurement money is used in ways that reward research and encourage people to bring new products to market.

Adam Afriyie (Windsor) (Con): We were surprised to learn from *The Guardian* last Monday that, after 50 years of consistent Government policy in space research, the new Science Minister in the other place, who had been appointed on the previous working day, made a hasty multi-billion pound pledge to send UK astronauts into space. Does the Secretary of State agree with this policy U-turn, or is the new Science Minister speaking out of turn?

Mr. Denham: I am delighted to have Lord Drayson as a member of my team. His record both in business and in science as a Minister is outstanding. He made it clear in his interviews that his personal view, which he had expressed prior to being a Minister, was that we should join a manned space programme. The position of the Government, which he supports and understands, is that we have a review of—*[Interruption.]* We are currently setting out a review, and we established it for a good reason. Twenty years ago, Baroness Thatcher took the decision that this country should not participate in manned space flight. I have to say that I think that decision has stood the test of time, because while we were not participating in that programme we have become a world leader in satellite technology, robot-exploring devices and so forth. In the future, we will have to look at the issue of whether the opportunities that would come from participating in manned space flight now outweigh the other opportunities and costs of investment in other research areas. It is right that, 20 years on, we approach this with fresh minds, but there are no predetermined decisions.

Apprenticeships

6. **Simon Hughes** (North Southwark and Bermondsey) (LD): What progress has been made towards meeting the Government's apprenticeship targets. [227252]

The Parliamentary Under-Secretary of State for Innovation, Universities and Skills (Mr. Siôn Simon): The 2007-08 apprenticeships performance indicator of 75,000 framework completions has been met and exceeded early, with 112,000 people successfully completing an apprenticeship framework in 2006-07. Apprenticeship completion rates reached an all-time high in 2006-07 of 63 per cent. compared with 24 per cent. in 2001-02—and an effective rate of zero under the Tories. Apprenticeship starts have increased from 65,000 in 1996-97 to 184,000 in 2006-07. Expanding apprenticeships will play a key role in improving the nation's skills base, and we plan to deliver more than 250,000 apprenticeship starts and 190,000 successful completions by 2020.

Simon Hughes: I welcome the Minister to his new job, and I wish him well in what is a very important responsibility. Following on from what was said on Questions 1 and 2, may I tell the Minister that many of the young people, and their families, in Southwark and

Bermondsey would far rather they did apprenticeships than stay on at school to 16, let alone to 18? It is therefore important that we have good opportunities for work experience related to apprenticeships, and then good careers advice linked to real companies who are willing to take these young people on, if they are qualified to do the job. Can the Minister give me some assurance that there is a real—not a notional—opportunity for youngsters in construction and other industries who are clear about what they would like to do, but at present find it difficult to get the encouragement through their teenage years?

Mr. Simon: I am very grateful to the hon. Gentleman for his gracious words of welcome. I had expected a few such words from my old friend from South Holland and The Deepings, who was in fact just mean to me before I even had a chance to stand up and reply, but I shall soldier on. The hon. Gentleman makes a very good point, of which the Government are cognisant. We have introduced junior apprenticeships to try to take the whole concept of apprenticeships down into school so as to introduce schoolchildren gently to the notion of what an apprenticeship is and how it works, and to put them on the pathway to one. A whole new framework of careers advice and guidance will be part of the new Bill that we hope will be forthcoming in the next few months.

I have looked up the figures and noted that the number of apprenticeship starts in the hon. Gentleman's constituency is quite low compared with the national figure. If he would like to come to talk to me about that at any point, I would be more than glad.

Mr. Jim Devine (Livingston) (Lab): I too welcome my hon. Friend to his new post, and I certainly do not see him as a novice.

There are disproportionately more apprentices in England and Wales than in Scotland. Does my hon. Friend have any advice for the Scottish Government about how to rectify that unacceptable situation?

Mr. Simon: I am very grateful to my hon. Friend for his kind words of welcome. Indeed, if I am a novice, it is overnight success after seven and a half years on the Back Benches.

As for Scotland, far be it from me to advise the Scots, but if I were a Scot I would support John Park's proposed apprenticeship Bill in the Scottish Parliament. I would consider issues such as why apprentices get paid £40 in Scotland compared with £95 in England, and why the Scots have put all the apprenticeship budget into three sectors and abandoned the rest. I would be looking for answers to those questions in the Labour MSP John Park's Bill.

Sir Patrick Cormack (South Staffordshire) (Con): I congratulate the Minister on his promotion and on his new sartorial elegance, and I wish him every success in his important task. Does he agree that there is no more richly rewarding career than that of craftsman or craftswoman? We owe an enormous amount to the craftsmen of the past in the country. What are we doing to encourage young people to embrace a career in the crafts?

Mr. Simon: We have now reached a situation in which everyone is being nice to me, and I am very grateful for yet another hon. Gentleman's kind and gracious words of welcome. I can say only that my sartorial efforts, such as they are, like the hon. Gentleman's are not so much a new fad as antique.

The bulk of my answer is the same as it was to the hon. Member for North Southwark and Bermondsey (Simon Hughes). The hon. Member for South Staffordshire (Sir Patrick Cormack) is absolutely right to say that learning craft skills from an early age is a way to encourage and develop a sense of the value of learning a craft, and of building or making something. That starts in schools and, more than ever in the context of a massively expanded, high-quality apprenticeship programme, there are junior apprenticeships in school. Young people are doing, in old-fashioned terms, woodwork and metalwork and really getting a love for the materials and the craft.

7. **Ms Celia Barlow** (Hove) (Lab): What steps he is taking to increase the number of people successfully completing apprenticeship schemes. [227253]

The Parliamentary Under-Secretary of State for Innovation, Universities and Skills (Mr. Siôn Simon): The number of adults and young people completing apprenticeships has almost trebled since 2001. The Government's document "World-class Apprenticeships" confirmed our commitment to making apprenticeships a high-quality option for both young people and adults and set out steps to increase the numbers of people successfully completing an apprenticeship.

In the summer we published the draft Apprenticeships Bill to drive and help sustain improvements in the quality of the programme. That will be complemented by an increase in apprenticeships funding to more than £1 billion by 2010-11. Expanding apprenticeships will play a key role in improving the nation's skills base and we plan to deliver more than 250,000 apprenticeship starts and 190,000 completions by 2020.

Ms Barlow: I welcome my hon. Friend to his new post, and I welcome the news of the increase in apprenticeships and completions. However, particularly in the hospitality and catering trade, some apprentices leave because of maltreatment by employers. My constituent Rosario Guarneri, in conjunction with City college Brighton, has developed a ground-breaking apprenticeship scheme that will, hopefully, address those issues and others. Will the Minister or a member of his team meet my constituent to discuss the matter?

Mr. Simon: I thank my hon. Friend for her kind personal words. The short answer to the end of her question is yes. The relevant Minister is the noble Lord Young, who I know is aware of this matter. He has agreed to meet the sector skills council, and has said he is very happy to meet her and her constituent. This sector is important: there are 14,500 starts made in the catering sector every year. In an apprenticeship, any mistreatment of employees by employers is unacceptable, and our new blueprint makes it very clear that a relationship of mutual respect between both parties is key. I am sure that Lord Young will do everything he can to ensure

that this situation is rectified. My hon. Friend is a great champion of these matters and of her constituents, as we all know

Miss Anne McIntosh (Vale of York) (Con): I add my congratulations to the Under-Secretary of State for Innovation, Universities and Skills, the hon. Member for Birmingham, Erdington (Mr. Simon). I also congratulate the Minister of State, Department for Innovation, Universities and Skills, the hon. Member for Tottenham (Mr. Lammy), on his elevation—we can say that he now truly is PC.

My concern is that, in the present economic climate, the number of completed apprenticeships will fall, because fewer apprenticeships will be offered. Can the Under-Secretary give the House the figures on those who, having completed apprenticeships, are offered full-time, permanent jobs?

Mr. Simon: I am grateful to the hon. Lady for her kind words of welcome. I think that the hon. Member for South Holland and The Deepings (Mr. Hayes) might be wishing he had been a little more gracious in the beginning.

Obviously, in economically straitened times there are pressures on this sector, just as there are everywhere. One of the things that we have done is to introduce, in the particularly pressed construction sector, a construction industry clearing house for apprenticeship places, so that as people are laid off, we can try to re-find such places for them. I do not have the specific figures on the placements that the hon. Lady wants, but I shall certainly write to her with them.

Jeff Ennis (Barnsley, East and Mexborough) (Lab): Is the Minister aware that Sheffield Forgemasters in south Yorkshire employs 70 apprentices, which is almost 10 per cent. of its total work force, and that the company has a record of taking on more than 90 per cent. of the apprentices who qualify? Does he agree that companies such as Sheffield Forgemasters are providing a best practice model for some of the bigger employers in the country in taking on apprentices?

Mr. Simon: I agree that Sheffield Forgemasters is an exemplary company. I know that my hon. Friend who is now Minister of State for Higher Education and Intellectual Property visited it when he was Skills Minister and was extraordinarily impressed by the outstanding work that he saw. I am thus happy to say from the Dispatch Box that the rest of the country should be looking to Sheffield Forgemasters for an example of how to do this brilliantly.

Anne Moffat (East Lothian) (Lab): I am not going to be kind, because I expect Ministers to do a job. I want rights for apprentices who are working on building sites in England, because the way they are being treated is absolutely abominable. They are having to make themselves bogus self-employed. The situation is absolutely crazy—Siôn, sort it.

Mr. Simon: I am grateful to my hon. Friend. I must say that it is not actually my job to sort it but that of Lord Young, and he will do so. As a former apprentice and a former senior trade union official with decades of experience, he is more than well qualified to sort it. My hon. Friend may know that we have set up a review involving the construction industry, the construction industry unions and the sector skills council. All the stakeholders are holding a review to examine exactly these kinds of issues and everything else that has an impact on the construction industry and apprenticeships at this difficult time. My answer is the same as it was to my hon. Friend the Member for Hove (Ms Barlow): any mistreatment, of any kind, including through low wages, needs to be dealt with, and is unacceptable.

Physics and Astronomy

8. **Michael Fabricant** (Lichfield) (Con): What the Government's policy is on the future of physics and astronomy teaching in universities. [227254]

The Minister of State, Department for Innovation, Universities and Skills (Mr. David Lammy): Physics has been designated as a strategically important subject and we have asked the Higher Education Funding Council to work with others to increase and sustain both the demand for and supply of physics graduates. We are pleased that the number of physics and astronomy students has increased.

Michael Fabricant: I know that the Minister will disagree, as I do, with those who say that it is engineers who create the wealth and that the scientists just spend it. We need the science to get the engineering going. In that respect, does the Minister believe we will see more science and innovation campuses, or will the current science funding settlement prevent that from happening?

Mr. Lammy: The hon. Gentleman will know that there is a planned increase of 17 per cent. in our science budget over the next three years. Fantastic world-class science is being carried out across the country, and that is against a backdrop of increases in every subject in the number of students studying science at A-level. That is something to applaud and celebrate, as we can look forward to an increase in science and, as a consequence, in engineering in coming years.

Mr. Rob Wilson (Reading, East) (Con): I add my congratulations to both Ministers and wish them well in their new posts.

The future of physics and astronomy teaching in universities could be affected by the substantial problems with Icelandic and other offshore deposits. Will the Minister update the House on that potentially serious blow to our universities? In particular, £77 million has already been identified, but is the Minister aware of any further at-risk offshore deposits?

Mr. Lammy: This is obviously a serious issue, but to put it in context I can say that the HEFC advises that front-line services and services to students will not be affected. We understand that 12 universities have placed money on deposit with Icelandic banks, and the total amount involved is £77 million. The hon. Gentleman will appreciate that discussions are being held between the Treasury and Iceland on these matters.

Topical Questions

T1. [227273] **Mr. Jim Cunningham** (Coventry, South) (Lab): If he will make a statement on his departmental responsibilities.

The Secretary of State for Innovation, Universities and Skills (Mr. John Denham): In these difficult economic times, we must obviously take every possible measure to assist those who may lose or worry about losing their jobs. One of the most effective things that we can do is enable them to refresh or update their skills, or to retrain. Yesterday, together with my right hon. Friend the Secretary of State for Work and Pensions, I announced that we are making significant new money—£100 million—available over the next three years to support retraining and the development of new skills, so that people can move quickly back into employment.

In addition to the role that Jobcentre Plus personal advisers play in offering advice and support, I will take two further measures to ensure that advice and support on skills is available. First, learndirect will be able to offer one-to-one advice on careers, skills and retraining, and I will take further measures to promote that service. Secondly, I will work with further education colleges to ensure that they make every effort to offer appropriate advice on and support for skills training to those who may worry about losing their jobs. I will announce further measures in due course.

Mr. Cunningham: I thank my right hon. Friend for that answer and, given the present economic climate, I am sure he appreciates the contribution that the west midlands makes to the British economy. More importantly, is he aware of the contribution made through research and development by the university of Coventry and the university of Warwick? They make a major contribution to the economy through innovation and research.

Mr. Denham: My hon. Friend is absolutely right to draw attention to the important role played by universities in many different ways. The university of Warwick is one of the leading research-intensive universities, with much national and international research, and the university of Coventry has a powerful role to play in the local and regional economy. It is important that the role of both types of university is properly recognised in our higher education and innovation system.

Mr. David Willetts (Havant) (Con): May I press the Secretary of State on university applications? We recognise and welcome the increase in university applications for this year, but is the Secretary of State concerned about the sharp drop in UCAS applications so far for 2009? Will he confirm that at this time last year 196,000 applications had been received, while this year applications are down by more than 50,000, at 139,000? What explanation can the Minister offer the House for that dramatic 30 per cent. fall?

Mr. Denham: The hon. Gentleman will know that the figures that might be available at this time of year are figures from very early in the application process. There is always significant variation over the months. I do not see any reason to believe that the progress we have made on admissions and acceptances in recent years will not continue.

I worry about the policy put forward recently by the hon. Gentleman's colleague on the Front Bench, the hon. Member for Reading, East (Mr. Wilson), which seemed to suggest a return to the Conservative policy of encouraging unfunded university expansion on a larger scale. That had disastrous effects on funding for students in the 1990s and I urge the Opposition not to pursue that policy.

Mr. Willetts: We want to see more children with the A-levels that will enable them to go to university. May I press the Secretary of State further on the leaked UCAS document, which I have in front of me? It shows that applications to university are down very dramatically at this stage. They have gone down by 30 per cent. compared with this time last year. Does the Secretary of State not recognise that that is potentially an alarming development? It was a pity that he was so complacent in dismissing that important evidence. I invite the Secretary of State to write to me with an update on the figures for applications so far and an explanation of why he believes a 30 per cent. fall is not something that he regards as a worrying trend.

Mr. Denham: We will report publicly in the proper way, as we do every year when the UCAS figures come in. There is a regular cycle of reporting and we will report on those figures. I want to see a continuation of progress in university numbers in years to come, and I believe that our policies will lead to that. We will start in the fairly near future with the launch of the student finance campaign, which emphasises the benefits of the financial support that we have extended, having reintroduced grants since they were abolished under the Conservative Government. I believe that we will make the progress that the hon. Gentleman wants to see. A leaked document at a very early stage in the process is not a point from which to draw too many firm conclusions.

T5. [227277] **David Taylor** (North-West Leicestershire) (Lab/Co-op): Staff and students at local colleges have contacted me about the call of the Campaigning Alliance for Lifelong Learning to restore the 1.5 million adult education course places lost by the further education sector and the communities that it serves since 2006. What do the Government plan to do about those lost places for local people and their FE colleges, given the clear social and economic benefits of adult education, in terms of universal access to basic skills, social inclusion and personal development?

The Parliamentary Under-Secretary of State for Innovation, Universities and Skills (Mr. Siôn Simon): I am grateful to my hon. Friend for that question. I have come across the CALL campaign. It is clearly well meaning, but I think that it is misconceived. The overall investment in further education has increased massively and the only thing that has changed is the way in which the places are structured. We have moved towards a smaller number of higher-quality places with more of an impact on skills and employability. Simply to count numbers of places rather than thinking about the quality of learning does not make sense.

T2. [227274] **Mr. Mark Harper** (Forest of Dean) (Con): Is it not the case that the university statistics show that most young people from our state schools who get the top grades are already going to our top universities? If we want to make sure that children from state schools are better represented at those top universities, is it not the case that we should fix the quality of schooling

that they receive so that they get those top grades rather than beating up on top universities and their admissions procedures?

Mr. Denham: Nobody has been beating up on top universities. However, of course I responded when the chancellor of Oxford university launched an attack on Government policy and pretended that we were trying to turn the university into a social security office, because that is wrong. We want to make sure that schools identify and nurture talent and enable people to apply to the university that is right for them.

Any of our universities can be the right one for the right student. In the past year alone, more than 80 universities have become involved in academies and trust projects, because structural links between universities and schools are critically important. Many universities, though, recognise that they can do more, and just a couple of weeks ago nine of the most selective universities in this country told me that they wanted to find ways to guarantee that young people from schools that traditionally do not send children to selective universities have the chance to show what they can do. That will mean actively seeking out the best-performing students in some of those schools and offering them the chance to go on summer school exposure courses at the universities.

The answer is that we need all those measures: universities should look at their admissions procedures, but we also need to strengthen what is happening in some schools. I do not agree with those who want to rule out any of those options or say that it is either/or.

Mr. Speaker: May I remind the House that, with topical questions, I am looking for brief replies and short and sharp questions?

T8. [227280] **Mr. David Kidney** (Stafford) (Lab): Having slept on the forceful arguments made by my hon. Friend the Member for Sunderland, South (Mr. Mullin) in last night's Adjournment debate, will Ministers offer support for innovative research at universities? Sunderland university was mentioned last night, but I should like to add the university of Staffordshire, which has a campus in my constituency of Stafford. They make a great contribution to knowledge and wealth locally, regionally and nationally, so will Ministers favour the suggestion that 10 per cent. of the university research budget should go on specialist research of national significance?

Mr. Denham: I recognise the valuable research role played by many universities but I have doubts about the 10 per cent. levy idea, as it would have to operate irrespective of the quality of the research. This country has a number of universities in the top 10 for research—in the league tables of which we take no notice—because of the concentration of research investment. We want to support universities of the sort that my hon. Friend refers to, but we need to be careful not to undo things that are working well at the moment.

T3. [227275] **Tony Baldry** (Banbury) (Con): The downturn in the housing industry means that some construction apprentices on my patch have lost their jobs. That is obviously a tragic waste of training, but the loss of their work placement also means that they are no longer able to continue their studies at their further education college. That is another waste of training, and I was wondering whether the Secretary of State could talk to the FE sector about safeguarding at least the FE element of apprenticeships. Could he also talk to the relevant skills council about setting up a brokerage system for transferring apprentices who have lost their jobs to employers who might be willing to take them on? In that way, the training that has already taken place would not be lost.

Mr. Denham: We set up a clearing house in August with precisely that purpose. To date, 400 young people have either been found new work placements with employers or been enabled to continue at college. I shall contact the hon. Gentleman to tell him how the system is operating, as it is designed to do precisely what he is quite rightly urging.

Mrs. Joan Humble (Blackpool, North and Fleetwood) (Lab): The Secretary of State is aware that discussions are taking place about the role of the expansion of higher education as a key driver in the regeneration of Blackpool. Will he therefore continue his discussions with colleagues in other Departments to ensure that that expansion takes place, as Blackpool needs the new students to boost both its economy and its skills base and to take the task force reports further?

Mr. Lammy: My hon. Friend continues to champion the new university in Blackpool and sets it in the important context of regeneration in the area. I am pleased that the Department has been able to make some money available through the HEFC. I do know that the discussions to which she refers are continuing, and that they involve our colleagues in the Department for Children, Schools and Families.

Stephen Williams (Bristol, West) (LD): I welcome the Secretary of State's new ministerial colleagues to their positions. I look forward to constructive dialogue with them during the remainder of the Parliament.

In these difficult economic circumstances, employers will undoubtedly be seeking to trim their costs. Does the Secretary of State agree that one false economy would be to cut employer investment in education and training? What will the Government do to make it easier for employees to study part time, especially in higher education?

Mr. Denham: The hon. Gentleman will know that last year we made funding available through the HEFC for many thousands of co-funded part-time places. The number of courses has now exceeded the number that we planned for because the demand from universities has been so strong. So there is a real interest in universities and in business in funding part-time degrees on a new basis. That and other measures will help to sustain the investment that the hon. Gentleman rightly says is needed.

T4. [227276] **Mr. David Heath** (Somerton and Frome) (LD): Total student debt in this country is now about £22 billion. The average real student debt is about £33,000 after a three-year degree. One third of all students who have ever taken out a loan have not yet reached the threshold for repaying it. In the context of the current economic crisis and the fact that almost

inevitably graduate unemployment will go up, what assessment has the Secretary of State made of the future of those figures, and what contingencies does he have in place?

Mr. Denham: I remind the hon. Gentleman of two things. These are not like bank debts; they are income-contingent so if students do not achieve a level of earnings, they do not pay anything back. Secondly, the figures that he quotes take no account of the two-year time lag before the information gets on to the data system. More important, although people may start below the threshold for repayment in their first year of employment, typically the increase in earnings in the next two or three years is 37 per cent. So people do get jobs that repay the value of the degree for which they have studied.

I have noted that, although the hon. Gentleman and many of his colleagues fought the last election on a policy of opposing university fees, we have now been told by the Front-Bench spokesman that that policy is to be changed. So I—

Mr. Speaker: Order.

Mr. Andy Reed (Loughborough) (Lab/Co-op): While Loughborough university is rightly recognised for its sporting excellence—I congratulate many of those who are at Loughborough in the parade today—does the Minister recognise that Loughborough is at the heart of the energy technology institutes? This will bring jobs to the UK but also meet many of the demands that we shall hear later in the climate change statement. Will he ensure that the private-public sector partnership, which will spend more than £1 billion on research in this area is not lost in the current climate, in which research and development may be one of the first things that the private sector cuts? It is absolutely vital not just for the country but for Loughborough.

Mr. Lammy: My hon. Friend is right. It is vital for the country; it will give us far more evidence on the benefits of energy renewables and help us to tackle climate change over the coming years. I congratulate Loughborough on being awarded the contracts. My hon. Friend should be reassured that that work will continue in the coming years.

T6. [227278] **Mr. Andrew Mackay** (Bracknell) (Con): To return to the vexed problem of university deposits in Icelandic banks, can the Secretary of State answer two quick questions? What financial advice did his Department give to universities on their investments? Will he place in the Library a list of other dodgy offshore investments so that we can see the extent of the problem?

Mr. Denham: I will write to the right hon. Gentleman. I would be surprised if my Department had given any advice to universities on where to invest their money. Universities are autonomous bodies responsible for the management of their own affairs, including their investment policies. Nor is it for me as Secretary of State to produce a personal list of investments I would not like to put my money into; I think that that would cause something of a stir that would be unnecessary.

T7. [227279] **Mr. Philip Hollobone** (Kettering) (Con): Will the Secretary of State reconsider his approach to quality-related research funding? Although it is right that the most excellent research should receive a disproportionate share of that funding, surely a far more equitable distribution is possible so that institutions such as the university of Northampton benefit from the seedcorn investment.

Mr. Denham: It seems to me that the distribution of funding has to be determined by the quality of the research. The allocation system has changed to some extent to make sure that good research is not captured, but I am resistant to the idea of a simple, arbitrary, top-slicing of the distribution. The strength of our university system is built on rewarding quality, and I would hate to see that principle changed. That does not mean that we are not interested in how we support those universities that make a key contribution to their local and regional economy through different types of research and innovation activities.

Business of the House

11.35 am

Mrs. Theresa May (Maidenhead) (Con): Will the Leader of the House give us the forthcoming business?

The Leader of the House of Commons (Ms Harriet Harman): The business for next week will be as follows:

MONDAY 20 OCTOBER—Second Reading of the Political Parties and Elections Bill.

TUESDAY 21 OCTOBER—Opposition day (19th allotted day). There will be a debate entitled "Controls on Immigration" followed by a debate on the Olympic legacy. Both debates will arise on an Opposition motion.

WEDNESDAY 22 OCTOBER—Remaining stages of the Human Fertilisation and Embryology Bill [Lords].

THURSDAY 23 OCTOBER—Topical debate: subject to be announced, followed by motion to take note of the outstanding reports of the Public Accounts Committee to which the Government have replied. Details will be given in the *Official Report*.

The provisional business for the week commencing 27 October will include:

MONDAY 27 OCTOBER—Remaining stages of the Local Transport Bill [Lords].

TUESDAY 28 OCTOBER—Remaining stages of the Climate Change Bill [Lords].

WEDNESDAY 29 OCTOBER—Opposition Day (11th allotted day) (Second Part). There will be a debate on an Opposition motion, subject to be announced; followed by the Chairman of Ways and Means will name opposed private business for consideration.

THURSDAY 30 OCTOBER—Topical debate: subject to be announced, followed by a general debate on defence policy.

The information is as follows:

That this House takes note of the 5th, the 8th, the 14th to the 29th, the 31st to the 35th, the 37th, the 38th, the 42nd and the 50th Reports and the 1st and 2nd Special Reports of the Committee of Public Accounts of Sessions 2007-08, and of the Treasury Minutes on these Reports (Cm 7366 and 7453).

I inform the House that the Commons calendar from December 2008 until October 2009 is available in the Vote Office.

Mrs. May: I thank the Leader of the House for giving us the business for next week, which includes the debate on Wednesday on the remaining stages of the Human Fertilisation and Embryology Bill. There are reports today that the Prime Minister and the right hon. and learned Lady have fallen out over the amount of time that should be allowed for that debate. Will she confirm that she will make every effort to ensure that there are no statements that day, and that there will indeed be a full debate on the remaining stages of the Bill?

The Leader of the House referred to the debate in the following week on defence policy. On 13 October, the Prime Minister of Iraq stated that he wants British troops to withdraw. May we have a statement from the Defence Secretary, before that debate, on whether that changes the Government's strategy in Iraq?

I raised the matter of annuities with the Leader of the House last week and yesterday my right hon. Friend the Member for Richmond, Yorks (Mr. Hague) pressed her on it again, but neither of us got a satisfactory answer. Given that thousands of pensioners are being forced to buy an annuity that locks them into a lower income for the rest of their lives, the need to address the issue is urgent. Will the Secretary of State for Work and Pensions make an urgent statement to the House on whether the Government will adopt our proposal to suspend the rule on annuities?

In July, I asked for a statement from the Chancellor on the ombudsman's report on Equitable Life. Yesterday, the right hon. and learned Lady ignored two questions on Equitable Life. The ombudsman has clearly stated that the Government must take some responsibility for the failures in Equitable Life and should be compensating policyholders, so may we have an urgent statement from the Chancellor apologising for the Government's failures and setting out the compensation scheme for policyholders?

On Monday, the Home Secretary took the unprecedented step of interrupting House business and making a statement about the Government's defeat in the House of Lords on the issue of 42 days' pre-charge detention. Why was the statement not made on the following day in the usual way, thus giving Members proper notice, or was it that the Government wanted to give the statement when fewer Members were in the Chamber to question the Home Secretary? Can the Leader of the House confirm that this sets a new precedent and that in future Ministers will always make an immediate statement to the House whenever the Government are defeated in the House of Lords?

In the past year the Government have lost the personal details of 25 million men, women and children from Her Majesty's Revenue and Customs, 45,000 people from the Department for Work and Pensions, 3 million learner drivers from the Driver and Vehicle Licensing Agency, 84,000 prisoners from the Home Office and over 2 million people from the Ministry of Defence, but yesterday the Home Secretary announced plans for a massive increase in the Government's ability to access people's personal data. What reassurance can the Home Secretary give that the Government will protect the integrity of any new data? Given the huge data losses so far, would it not be easier for the Home Secretary to make a statement listing the people whose data have not been lost by this Government?

Finally, the previous Secretary of State for Business, Enterprise and Regulatory Reform was also the Government's anti-corruption champion. Can the Leader of the House confirm that the Prime Minister has found it necessary to remove that responsibility from Lord Mandelson of Foy and Hartlepool, and will she explain why? While the Prime Minister is looking at the noble Lord's responsibilities, will he also be removing his Department's work on regulating mortgages?

Ms Harman: On the Human Fertilisation and Embryology Bill, there is no truth in the report that the right hon. Lady mentioned. She asked me to make every effort to ensure that no statement is made on the day the House debates the Bill. As I said this time last week, the House has had a great deal of time, rightly, to discuss this important and controversial Bill. It has been debated for a total of 81 hours on the Floors of

[Ms Harman]

both Houses, with 10 sessions in the Lords and, so far, seven in the Commons, and I hope that here will be a further full day of debate. I will seek to ensure that there is no statement that day. Obviously, I will need the flexibility to allow a statement for an urgent reason, but just as it is our intention to avoid making statements on Opposition days, we will try to ensure that we do not have a statement on the day we debate the Bill.

On defence, as the right hon. Lady acknowledged, there is to be a general debate on defence on Thursday week, in which the issues can be fully explored.

The right hon. Lady raised the question of those who need to buy annuities because they are approaching their 75th birthday. I have nothing to add to what I told the House yesterday. As I said then, this issue does affect some people; it is only a small number of people, but it does affect a number of people—*[Interruption.]* That is not what I said. I said that it is only a small number of people, but it is an issue of concern and it is being considered.

The right hon. Lady asked about the ombudsman's report on Equitable Life. On 8 October, the Chancellor repeated what he had said in the summer, after the ombudsman's report was published: this was an extensive and important report, and that he would make a statement on the Government's response in the autumn. That remains the case.

Mrs. May: But it is the autumn.

Ms Harman: Indeed. The right hon. Lady is absolutely right—it is the autumn.

Mrs. May: So where is the statement?

Ms Harman: Autumn has not finished yet.

The right hon. Lady asked about the Counter-Terrorism Bill and the Home Secretary's statement to the House after the defeat of the 42-day provision in the House of Lords. Our view was that it was important for the House to hear the Government's intention as soon as possible, following the defeat of the clause in the House of Lords. If we had waited until the next day, speculation would have run overnight and there would have been a great many speculative news reports; but we thought that the House would need to hear as soon as possible, and therefore the statement was brought before the House. In fact, many Members of the House were present when the Home Secretary made the statement; the Chamber was packed, and it was an extensive statement.

The right hon. Lady mentioned the communications data Bill, which the Home Office proposed and was included in the draft legislative programme. As she will know, instead of simply announcing the Bills for the legislative programme in the Queen's Speech, we have given the public an opportunity to see the Government's intentions by publishing the draft legislative programme in early summer, enabling people to comment before the Queen's Speech clarifies the Government's fixed intention for the legislative programme. The draft communications data Bill was in the draft legislative programme, and a number of issues and concerns have been raised about it.

The Home Secretary has made it clear that at all times on important issues such as these, she wants to listen to people's concerns, consider them and consult on a wide, bipartisan basis. She has said that instead of pressing forward with legislation in the next Session, she will seek to consult further, including publishing draft clauses or possibly even a draft Bill. The right hon. Member for Maidenhead (Mrs. May) misunderstands the position: having published the measure in the draft legislative programme, we will undertake further consultation before we introduce the Bill in the House. It sounds as though she would probably welcome that, now that I have had an opportunity to explain the position.

The right hon. Lady talked about anti-corruption. Anti-corruption responsibility runs across a number of Government Departments. At one stage in the past, the lead responsibility was with the Department for International Development; at another stage, it was with the Department for Business, Enterprise and Regulatory Reform. It is currently with the Ministry of Justice, but the point is that all Government Departments need to focus on the issue, and indeed they do so. The question of where the lead is is less important; more important is the fact that across government the agenda is delivered, and it certainly will be.

Joan Ryan (Enfield, North) (Lab): Will my right hon. and learned Friend make time available for a full debate in the Chamber on the unfolding catastrophe in Sri Lanka? We had a short debate earlier this week in Westminster Hall, for which I thank Mr. Speaker, but the situation is so serious, with the compulsory withdrawal of aid agencies from the Vanni region and the continued indiscriminate bombing of innocent Tamils, that a number of Members wish to speak on the issue. We need to hear a fuller response from Government—I acknowledge the extra aid that the Government have made available—so a full debate in the Chamber would be appropriate.

Ms Harman: I will take my right hon. Friend's proposal as a suggestion for a topical debate. I considered the forward business as she made that point, and I cannot see an immediate opportunity, as the business stands, for hon. Members to raise the important issue that she brings to the House's attention, so I will consider it for a topical debate and think further on it.

Simon Hughes (North Southwark and Bermondsey) (LD): May I endorse the request from the right hon. Member for Enfield, North (Joan Ryan), as there was a very large attendance in Westminster Hall, and I am sure that there would be interest across the House among Members from all parties in a substantive debate? Ministers have always been accommodating if the time has been provided.

May I return to matters raised by the right hon. Member for Maidenhead (Mrs. May), which are of huge significance in relation to Home Office business this week? First, to go back to Monday night, it was unacceptable that an important debate in Government time on democracy and human rights around the world was interrupted by the making of a statement in the middle of it. Why could the statement not have been made at 10 o'clock, as is traditionally the case if an urgent statement is made? We could have had the full

debate as planned, and the statement, and everyone would have been alerted in the normal way. *[Interruption.]* It was indeed about news management, as it was hoped it would be covered by the financial discussions being conducted on Monday, which, as we know, was a difficult but important day financially.

Out of the hat on Monday night the Home Secretary produced the rabbit, the temporary provisions Bill, as her fig leaf to cover her major U-turn. If she is serious about another Bill in the wings, may we have proper pre-legislative scrutiny of it, with the opportunity to take evidence on whether it is needed? We have a provision whereby Special Standing Committees consider a Bill and take evidence. Given the widespread opposition to the Bill—opposition that is massive in the House of Lords, significant in this place and very large in the country—the justification for it has not been made out, and we need to have the debate before the Home Secretary has the Bill ready to introduce.

On the other home affairs matter properly raised by the right hon. Member for Maidenhead, I have read the Home Secretary's speech from yesterday, including her references to the communications data Bill and I understand the exchange that has just taken place, but to some of us, on the back of the DNA database, the plan for ID cards and the proposal for 42-day detention without charge, the idea of an Orwellian super-database adds the final nail in the coffin, turning us from a people of liberty to a people of suspects—a completely unacceptable proposal.

May we have a debate, therefore, in this place so that we can hear the Home Secretary, the proposal and the representations that she has received and see whether there is any public support for the idea that every phone call we ever make and its location, for example, is kept for the rest of our lives on some great Government system? The Government do not appear to be able to hold the data that they already have, let alone any more.

Tomorrow, we will debate private Members' Bills: there are 51 on the Order Paper. The Government have always wanted to be helpful and the job of the Leader of the House is to be helpful to private Members. The right hon. and learned Lady may know that in the past six years nine out of 10 Government Bills have received Royal Assent. She may also know that only about one in 10 private Members' Bills have received Royal Assent. Will she seriously consider ways of giving better opportunity for private Members on her own side and others to get their proposals into legislation, and not hog all the time for Government business?

We look for an assurance today that there will be no Government guillotine or timetable on the Human Fertilisation and Embryology Bill that prevents debate on related fertilisation, embryology or abortion if colleagues on either side wish to raise them. May we have an assurance not only that we will have a full day, but that the Government will not seek to manage the business to prevent that debate?

Lastly, we will have a welcome debate next week on the Olympic legacy and building on the Olympic achievement. I invite the Leader of the House to join me and, I am sure, the right hon. Member for Maidenhead, on the day when the nation celebrates our fantastic Olympic achievement, in saying that we are hugely proud of our athletes in both games and many of us are greatly excited by the prospect not only of the games in London in four years' time, but of even better success then.

Ms Harman: The Deputy Leader of the House and I will consider what the hon. Gentleman said about private Members' Bills and see whether we can make more progress.

I take note of the fact that the hon. Gentleman backed up the point made by my right hon. Friend the Member for Enfield, North (Joan Ryan) about Sri Lanka, and I shall consider that as a request for a topical debate.

Like the shadow Leader of the House, the hon. Member for North Southwark and Bermondsey (Simon Hughes) raised the topic of the statement on 42 days. We wanted to ensure that the House was told first and at the earliest possible opportunity. *[Interruption.]* I see that the Opposition are now arguing that the statement should have been delayed until 10 o'clock. There are pros and cons to each timing. The most important aspect is the question of substance and the fact that the House was told expeditiously.

The hon. Gentleman asked about pre-legislative scrutiny of the temporary provisions Bill, which is a matter for the Home Affairs Committee. If it wants to conduct pre-legislative scrutiny of the provisions and how they would be introduced and what effect they would have, that is a matter for the Committee. Of course, it carried out extensive pre-legislative scrutiny of the 42-day clause in the Counter-Terrorism Bill and took evidence on that.

With reference to the communications data Bill, I cannot say more than what I said to the shadow Leader of the House. There will be further time for consultation. There will be publication, probably of draft clauses, if not of the whole draft Bill. There will be an opportunity for people to look at the objectives that the Bill seeks to achieve and whether the measures appropriately protect personal data and human rights. With all these measures, it should be recognised that as well as protecting personal privacy and confidentiality and human rights, it is important that we are able to help the police investigate and detect crime. The hon. Gentleman complains about the DNA database, but I remember the rape offenders who were brought to justice because DNA data were held on a database.

Mr. David Anderson (Blaydon) (Lab): There have been welcome noises from the Government this week about helping people at work to maintain their jobs. May we have a statement from the Treasury about the decision by Her Majesty's Revenue and Customs to attack seafarers and mariners under the seafarers' earnings deduction, which will leave my constituent, Mr. Penny, facing a future in which, he says, the ruling has

"devastated my family life to the verge of collapse, bankruptcy is looming and the only alternative for many UK based mariners will be to leave the Industry or live outside of the UK"?

The decision can be reversed so that people can remain in the industry and not be 25 per cent. worse off in their salaries.

Ms Harman: I will raise the matter with Treasury Ministers and ask them to write to my hon. Friend and deal with the point he raises.

Mr. Hugo Swire (East Devon) (Con): The Leader of the House will be aware of the continuing press reports surrounding the relationship between the Secretary of State for Business when he was EU Trade Commissioner and Mr. Oleg Deripaska, who I understand is banned from the United States following an FBI inquiry into his business activities. Given the very serious nature of some of the allegations, may we have a debate next week to try to ascertain the nature of that relationship when the Business Secretary was EU Trade Commissioner, in relation to the ownership dispute within the Russian insurance company Ingosstrakh and the aluminium tariffs situation in Russia?

Ms Harman: I do not think that business questions and the privilege that attaches to them should be used by hon. Members to make unjustified smears and allegations.

Lynne Jones (Birmingham, Selly Oak) (Lab): Will my right hon. and learned Friend confirm that, in line with usual procedure, when the House considers the Human Fertilisation and Embryology Bill on Wednesday, new clause 1 will be considered first?

Ms Harman: In the debate on the Human Fertilisation and Embryology Bill the clauses, new clauses and amendments will be considered in the normal way.

John Bercow (Buckingham) (Con): May we please have a statement next week on the intended publication date for the delayed child health strategy and an indication of an early parliamentary opportunity to debate its contents? Given that early intervention and integrated commissioning between health, education and social services are vital to achieving better health outcomes for children, will the right hon. and learned Lady recognise that this important strategy needs to be published sooner rather than later, with explicit and funded commitments to meet the very high expectations that rightly now exist?

Ms Harman: The hon. Gentleman rightly draws attention to an important strand of work. As to the timing of the publication of the health strategy for children, I will make inquiries to see whether I can be more specific and inform either him or the House.

Barry Gardiner (Brent, North) (Lab): My right hon. and learned Friend will be aware from her constituency both of the considerable distress that is often caused when family members, particularly those coming from the subcontinent, are unable to obtain visas or are refused entry clearance into this country and, therefore, of the importance of the representations that Members of Parliament can make on their behalf. She will also be aware that the realignment of the UK Border Agency and UK visa services has led to a considerable delay and, I understand, a change in how Members' representations have been treated, so that it is now quite normal to experience delays of six to eight weeks. Will she investigate the matter and ensure that something is done, so that our constituents are not exposed to further distress?

Ms Harman: There has been a considerable speeding up of responses to hon. Members in respect of their constituents in recent years. I will certainly look into the point that my hon. Friend raises and invite the Minister with responsibility for immigration to write to him and to place a copy in the Library so that it is available for all Members.

Dr. Evan Harris (Oxford, West and Abingdon) (LD): May I take the Leader of the House back to the Human Fertilisation and Embryology Bill? In line with convention, Back Benchers in all parts of the House and on both sides of the argument have tabled important amendments to the Abortion Act 1967, for debate on the Bill on Report next Wednesday, giving the chance to debate the 1967 Act for only the second time in 40 years. If the new clauses are selected by you, Mr. Speaker, they will fall in the first group. Can the Leader of the House give us an assurance that there will not be a Government business motion relegating that group of amendments to a point where there will not be protected time, which would be most unfortunate and undemocratic given the free vote on those matters, and an assurance that they will be reached?

Ms Harman: The hon. Gentleman will know that we have already had a whole day's debate on the question of abortion amendments that were raised on the Floor of the House in the summer. When we come back to the House I will seek to protect the time by doing my best to ensure that there are no statements on that day. The Bill will be debated according to the procedures in the normal way.

Mr. Chris Mullin (Sunderland, South) (Lab): Will my right hon. and learned Friend find time, preferably before the autumn statement, to debate the impact of the imposition of the business rate on empty business and commercial property, which is potentially devastating in regeneration areas such as the one that I represent? Indeed, factories and businesses in Sunderland are already demolishing premises rather than pay the tax. The Pallion Engineering company, which is based in an old shipyard in Sunderland, faces an increase from £55,000 to £277,000 in a single leap, which will of course put it out of business and mean that the 200 people working there will lose their jobs.

Ms Harman: There is particular concern about business in this difficult economic climate. I will draw the points that my hon. Friend makes to the attention of my right hon. Friend the Secretary of State for Communities and Local Government and my right hon. Friends in the Treasury, who will no doubt take them seriously.

Sir George Young (North-West Hampshire) (Con): Does the right hon. and learned Lady still plan to proceed with her wholly misguided policy of setting up a range of regional Select Committees? If she does, will she publish the relevant Standing Orders way in advance of any debate?

Ms Harman: Yes, we are planning to proceed with what the right hon. Gentleman regards as the wholly misguided proposal to set up regional Select Committees. We will publish the Standing Orders in advance, on the basis of his request, so that he and other hon. Members will have an opportunity to scrutinise them in detail. Let me also take this opportunity to inform the House that the Regional Ministers are being brought together today in the Council of Regional Ministers to discuss

the economic impact, region by region, of the current economic crisis. When the regional Select Committees are established, they will be able to hold that sort of activity to account better in the House.

Keith Vaz (Leicester, East) (Lab): The Leader of the House will recall that on 5 July 1991, the Bank of Credit and Commerce International was closed. Thousands of people were put out of work and depositors, including the Western Isles in Scotland and Channel 4, lost their money. They were told at that stage that they would not get their money back. Some 84 per cent. of depositors have got their money back, but the liquidation has now been ongoing for 17 years. Could we have a statement from the Government or a debate about what is now the longest insolvency in this country's history, so that it can be brought to an end as swiftly as possible?

Ms Harman: I will ask my right hon. Friend the Chancellor to consider whether the best way to convey the information to my right hon. Friend and other Members who are concerned about the matter is to issue a written ministerial statement or to write to him.

Mr. Nigel Dodds (Belfast, North) (DUP): Can we have a debate on fuel pricing in this country? Although there has been a welcome reduction in the petrol and diesel prices charged at the pumps in recent days, many motorists and households remain concerned about the extra costs imposed through the heavy levies of duty on fuel. They are also concerned about the practice of many retailers of operating a differential pricing policy depending on geographical location, so that the same retailer can charge different prices to motorists depending on where they live. That is clearly unfair and discriminatory, particularly to my constituents in Northern Ireland. I would therefore be grateful if we could have a debate to discuss those issues.

Ms Harman: At the end of this business statement there will be an oral statement on the subject of energy from the Department for Energy and Climate Change, immediately after which there will be a topical debate on the subject of energy providers, so the hon. Gentleman should have two opportunities to make that point.

Mr. Michael Clapham (Barnsley, West and Penistone) (Lab): May I draw my right hon. and learned Friend's attention to early-day motion 2254, which stands in my name?

[That this House calls on the Department for Work and Pensions to accept the recommendation of the Industrial Injuries Advisory Council, whose report it has been considering since August 2008, and declare A14 Osteoarthritis of the Knee a prescribed disease in relation to coalmining with an early implementation date, opening the way for this group of mostly elderly sufferers to claim an award of industrial injuries benefit.]

The motion requests a decision from the Department for Work and Pensions in response to the Industrial Injuries Advisory Council's recommendation that osteoarthritis of the knee should be a prescribed disease in relation to coal miners. Will she urge the Department, which has had the IIAC report since August, to make an early decision, because the group of miners affected are quite elderly?

Ms Harman: My hon. Friend has an exceptional track record of prompting Government to act swiftly on such matters. I therefore take his point seriously. He is absolutely right: time is not on the side of people who are suffering from such industrial injuries and diseases. I will get on to the Department for Work and Pensions.

Mr. David Drew (Stroud) (Lab/Co-op): Now that the Government have dealt with the issue of toxic assets, is it not about time that we also looked into the issue of the toxic media? Much of the information in the leaks and scoops on our television screens and in our newspapers seems to be helpful to some, but immensely damaging to many of our constituents. Is it not about time that we had a proper look at how such information is obtained and reported?

Ms Harman: I am sure that the Treasury Committee, on behalf of the House, will look at all such issues. As my hon. Friend says, it is very important indeed that when public information is given the economic situation is not made worse.

Norman Lamb (North Norfolk) (LD): May I raise with the Leader of the House the serious allegations of match fixing and the unusual betting patterns that apparently took place in Asia in relation to the championship match between Norwich City and Derby on 4 October? I am sure that she would agree that such allegations attack the very integrity of sport in this country and must be treated with the utmost seriousness. May we have a statement from the Secretary of State for Culture, Media and Sport so that we can establish what contact there has been between him and the Football Association and so that we can see what stage the investigation has reached and ensure that it is given the priority that it deserves?

Ms Harman: I will draw the hon. Gentleman's points to the attention of the Secretary of State for Culture, Media and Sport and ask my right hon. Friend to write to him.

Jim Sheridan (Paisley and Renfrewshire, North) (Lab): May I ask my right hon. and learned Friend whether we can have a review of the effectiveness of topical questions? My understanding was that they were supposed to allow Back Benchers in particular to raise questions of importance to them and their constituents. However, there is clear evidence that the spirit and intent of topical questions is now being abused by Front Benchers, who are using them for their own needs. Does she agree that if Opposition Front Benchers want to ask questions, they should go to the Back Benches and take their chances like the rest of us, and also that Government Front-Bench responses should be a bit shorter?

Ms Harman: I think that topical questions have been an important innovation. The House will remember that they were introduced for one Session only, so that they could be reviewed at the end of it. The Standing Orders pertaining to topical questions will lapse at the end of this Session, allowing us an opportunity to review them. I think that, by and large, the House has found them very useful in ensuring that the subjects raised at Question Time are more topical. There is also the issue of whether there is sufficient time for Back

[Ms Harman]

Benchers, compared with Opposition Front Benchers. Obviously, that is a matter for the Speaker as well as for Opposition Front Benchers.

Mr. Andrew Mackay (Bracknell) (Con): Will the Leader of the House ensure that the Chancellor of the Exchequer comes to the House next week to make a statement on the behaviour of the nationalised bank, Northern Rock? This would give many Members an opportunity to query why the bank has passed on only one tenth of the reduction in interest rates to its savers, and why some of my constituents have been told by Northern Rock that, when their fixed mortgages come to an end, those mortgages will not continue, because that is what the Government have told the bank to do. That is unacceptable behaviour at a very difficult time. As Northern Rock has been nationalised, it is now the responsibility of the Chancellor of the Exchequer, and he should answer these questions.

Ms Harman: The right hon. Gentleman knows very well, because the Chancellor has explained it to the House, that there is arm's length management of Northern Rock. The arrangements for Northern Rock, and what it has been told by the Government, are a matter of public record on which the House has been informed. The right hon. Gentleman knows that individual decisions on lending are made on an application-by-application basis and are not a matter for the Chancellor of the Exchequer.

David Taylor (North-West Leicestershire) (Lab/Co-op): Last weekend, a female constituent of mine went to an Oasis concert Birmingham's national indoor arena. When she returned to where she had left her car, she found that it had been towed away and that she faced a bill of £300. There were no signs to indicate that there were any problems. She was left isolated, vulnerable and stranded in that city. May we have a debate on how we could better regulate these unscrupulous and unspeakable clampers and towers who wreak such havoc on decent people through the activities that they perpetrate? We really cannot have the angst and inconvenience that my constituent experienced last weekend replicated time and again in cities all over the country on frequent occasions.

Ms Harman: My hon. Friend raises an important point. Whether it is a question of people towing away cars or clamping them, we need to ensure that there are clear and fair rules and reputable operators. Real problems can be caused by cowboys taking liberties in this respect. This matter crosses a number of Departments, including the Department for Communities and Local Government and the Department for Transport, as well as the Treasury. I will give some thought to the point that my hon. Friend has made and see how we can take this matter forward.

Robert Neill (Bromley and Chislehurst) (Con): Yesterday, the Minister for Local Government informed the House of the situation relating to local authorities exposed to the failure of Icelandic banks. In particular, he was able to tell us that some 13 authorities might have short-term difficulties and that the Department for Communities and Local Government was sending a response team of experts into three of them. Last night, the leader of one of those three authorities, which the Minister had felt unable to name—Tamworth borough council—issued a statement saying:

> "Tamworth...is not in any immediate financial difficulty and its budgets will remain unchanged. There is no threat to services...I am shocked at hearing an emergency team is being sent to us. We neither asked for nor need one."

Against that background, will the Leader of the House ask a Minister from that Department to come urgently to the House to clarify exactly what is the basis of the Government's intervention with these local authorities, on what criteria they were selected, which are the local authorities concerned, and which other institutions, such as regional development associations and housing associations, might also be affected? Drip-feeding only causes speculation, and the suggestion that the Government might be seeking to move attention away from themselves to the councils.

Ms Harman: Ministers in the Department for Communities and Local Government have given information to the House during the course of the debate. There has also been a written ministerial statement. Response teams, which are the joint responsibility of the Department and the Local Government Association, will be sent to the authorities that request help. They will not be sent to those authorities that do not do so. I am sure that all the constituents of Tamworth will be reassured that their funds are safe.

Mr. Mark Harper (Forest of Dean) (Con): It is two and a half years since the House had the opportunity to debate in Government time the Government's policies for disabled people. I raised this matter with the right hon. and learned Lady on 1 May, and she very kindly said that she would consider my request and see whether there was an opportunity to debate the matter in the House. Can she tell us, five and a half months later, whether she has been able to give any consideration to the matter and when the House might be able to have a debate on the Government's policies for disabled people?

Ms Harman: Certainly I will consider that as a suggestion for a topical debate. I am sure that the hon. Gentleman will welcome and engage in the discussion on the Equality Bill, which seeks to give stronger rights and greater opportunities for people with disabilities.

Mr. Angus MacNeil (Na h-Eileanan an Iar) (SNP): Recent weeks have shown the importance of regulation. May I partly echo the words of the hon. Member for Belfast, North (Mr. Dodds)? We must have a debate on fuel prices, but may we also have a debate on the contracts between fuel distributors and the oil companies and refineries? Can we look in particular at whether there is adequate funding for the Office of Fair Trading to investigate and regulate those contracts, some of which may be contributing to the slow fall in fuel prices at the pumps?

Ms Harman: The hon. Gentleman will have an opportunity to ask those questions in respect of the oral statement and to contribute to the topical debate on energy later this afternoon.

Mr. Peter Bone (Wellingborough) (Con): The Government are spending £16,000 for each and every taxpayer on bailing out and funding banks, based on an ill-thought-out and seriously flawed plan. This affects everyone in the country. Is not it extraordinary that we have had no full-day debate on a substantive motion on this matter? Is it not the duty of the Leader of the House to provide such a debate, so that she can test the opinion of Parliament?

Ms Harman: The Prime Minister will make a statement next week, following the European Council. Economic issues will no doubt be at the heart of that. The Chancellor made a statement on Monday of this week. The Government have been concerned to ensure that information is being brought to the House, and that the House has an opportunity to hold the Government to account. On the hon. Gentleman's point about spending in respect of each taxpayer, he will know that the Government needed to act to stabilise the financial situation and that that was necessary action. He does not need to rely on my word for that. Perhaps he will take the word of the Nobel prize winner for economics, Paul Krugman, who said:

"Luckily for the world economy...Gordon Brown and his officials are making sense. And they may have shown us the way through this crisis...The British Government went straight to the heart of the problem—and moved to address it with stunning speed".

On protection for taxpayers, I should like to refer the hon. Gentleman to the words of Simon Wolfson, the chief executive of the high street store Next, who said that this was

"a very good plan and will probably make money for taxpayers".

That certainly should not worry people. We undertake to keep the House informed.

Mr. Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): Next week, communities across the south of Scotland will learn the fate of their local post offices. Frankly, few people are holding their breath. Confidence in the network as a whole is at rock bottom because nobody knows the fate of the Post Office card account. There are rumours swirling around that it might be given to PayPoint or awarded jointly, each of which would undermine the network. Given the seriousness of the situation, will the Leader of the House urge her colleagues to make an announcement as early as possible, and allow a debate in the House on the matter?

Ms Harman: As I have told the House on previous occasions, the contract for the Post Office card account is subject to the procurement processes, and when a decision is reached, I am sure that the House will be informed.

Mike Penning (Hemel Hempstead) (Con): For many years now, my constituents have been sending treats to our troops who are serving around the world on our behalf. Last week, they were dismayed to see press reports telling them not to send parcels to our troops, who are so bravely looking after us, and saying that only family members can send treats to the troops. May we have a statement from the relevant Minister to tell us why, in the 21st century, we cannot send parcels to our troops?

Ms Harman: I am sure that the question of public and family support for our troops will be at the heart of the defence debate that I announced in my statement under forthcoming business.

Richard Younger-Ross (Teignbridge) (LD): Can we have a statement on the impact of inflation on pensioners? In particular, can the Leader of the House confirm that the state pension rise next April will be at least as high as the 5 per cent. retail prices index rise announced on Monday?

Ms Harman: There will be an uprating statement from the Department for Work and Pensions shortly. Pensions and benefits will be uprated in the normal way. I am sure that the hon. Gentleman will welcome the increase in winter fuel payments and the efforts to ensure that the decrease in wholesale energy costs are passed through to domestic consumers and households.

Tony Baldry (Banbury) (Con): Can we have a debate next week on access to mortgages? I have been approached by mortgage brokers in Banbury who told me:

"Lenders have again put up their rates despite the Bank of England reducing rates last week. They have also reduced the loan to value ratios and we are seeing properties being dramatically down valued to such an extent that it is impossible for people to remortgage when their fixed rates end. We were under the impression that tax payers money being given to these banks was on condition that lenders...began lending at 2007 levels. This is not happening... the situation has worsened to such an extent that we are virtually unable to help any of our clients".

If the mortgage market does not get going again, there is no hope for the housing market doing the same. May we have a debate some time soon—hopefully next week—on access to mortgages?

Ms Harman: The hon. Gentleman makes a very important point. If the Government are in a position next week to make further information available about access to mortgages, a statement will be made.

Mr. Alistair Carmichael (Orkney and Shetland) (LD): I declare an interest as a member of the national council of the Royal National Lifeboats Institution.

May we have a statement or a short debate on Ofcom's proposals for changes to the charging regime for maritime radio users? Those proposed changes will see many voluntary organisations such as the RNLI paying massively increased fees. The Leader of the House must be aware that the RNLI is funded entirely by voluntary contributions and that it provides a crucial service. Frankly, the Government and Government bodies such as Ofcom should be grateful for the provision of those services rather than see them as a cash cow for more income.

Ms Harman: I join the hon. Gentleman in paying tribute to the RNLI and I will raise his point with the relevant Ministers and ask them to write to him.

Mr. Mark Field (Cities of London and Westminster) (Con): One of the very few things that I have in common politically with the Leader of the House is that we both represent inner London seats. She will be aware that, notionally, our local police force, the Metropolitan police, is run by the Home Secretary. In view of the tumultuous and turbulent events within that organisation during

[Mr. Mark Field]

recent weeks, does the right hon. and learned Lady feel that it is time either for the Home Secretary to make a statement to the House or for us to have a debate in Government time on the future strategy for the Metropolitan police?

Ms Harman: As the hon. Gentleman will know, the process is under way for the recruitment of a new Metropolitan Police Commissioner. Speaking for my own constituency, I pay tribute to the work that continues to be done—day in, day out; week in, week out—by the Metropolitan police in all the boroughs of London.

Mr. David Heath (Somerton and Frome) (LD): All through the recess, I wrote to many of my constituents who contacted me saying that I was absolutely sure that Ministers would want to make two statements within the first week or so of our return—one on the Government scheme for insulating homes, which will be of very little benefit to many of my constituents who have stone houses and no cavity walls, and a second one on the ombudsman's report on Equitable Life. We have not seen either of those statements yet. Earlier, the Leader of the House rather airily said something about autumn, but will she further define what part of autumn she has in mind and when she believes autumn finishes?

Ms Harman: As far as Equitable Life is concerned, I have nothing to add to what the Chancellor told the House on 8 October. As far as insulation and energy conservation are concerned, the hon. Gentleman will see that the Ministers from the Department of Energy and Climate Change are in their places to make a statement and take part in a debate.

Mr. Mark Lancaster (North-East Milton Keynes) (Con): Can we have a debate on the Government's pharmacy White Paper, and particularly the proposals to restrict some GP practices on dispensing prescription drugs—changes that, if implemented, would result in my constituents in Hanslope having to travel some 10 miles just to collect their prescriptions? Is that really a sensible move for some of the most vulnerable people in our society?

Ms Harman: In respect of pharmacy issues in the hon. Gentleman's constituency, I suggest that he should either write to the relevant Secretary of State or seek a meeting.

Mr. Philip Hollobone (Kettering) (Con): Can we have a debate in Government time on parental neglect and binge drinking among schoolchildren? Last year, 250 people were so incapacitated from being drunk that they were admitted to Kettering general hospital, and one fifth of them were children under the age of 16.

Ms Harman: We have had a topical debate on excessive drinking, particularly by under-aged children. The hon. Gentleman will know that work is going on across Departments on this issue, which is of concern throughout the country. I will consider how best to find an opportunity for the House to debate it further.

Mr. David Burrowes (Enfield, Southgate) (Con): Can we have a debate on issues arising from the extradition of my constituent Gary McKinnon, confirmed this week by the Home Secretary? The Leader of the House will recall the debate regarding the NatWest three, when the Government gave assurances that they would take steps to seek bail. Can at least similar efforts be made on behalf of my constituent, who is a vulnerable young man of little means who was, significantly, recently diagnosed with Asperger's syndrome?

Ms Harman: The best thing would probably be for me to discuss the issue with the hon. Gentleman after business questions, so that he can tell me the details of the case. I can then work out how to assist him further and raise the matter with the relevant Department. I always call the NatWest three the Enron three.

Philip Davies (Shipley) (Con): Can I reiterate the call of many hon. Members for an early statement on Equitable Life? If the Leader of the House continues her unacceptable stonewalling on the subject, can I ask her for a debate on the role of the parliamentary ombudsman? It is unacceptable to many people that the Government can ride roughshod over the ombudsman's rulings.

Ms Harman: The Government are not riding roughshod over the ombudsman's ruling. The ombudsman produced a substantial report, which required considerable reflection from the Government. We have kept the House updated on how we intend to deal with the matter. The Chancellor said last week that he intends to make a statement on our response to the ombudsman's Equitable Life report this autumn.

Department of Energy and Climate Change

12.27 pm

The Secretary of State for Energy and Climate Change (Edward Miliband): With permission, I would like to make a statement on the new Department of Energy and Climate Change. The new Department brings together the Government's work on three long-term challenges that face our country: ensuring that we have energy that is affordable, secure, and sustainable; bringing about the transition to a low-carbon Britain; and achieving an international agreement on climate change at Copenhagen in December 2009. Those are our goals, and the new Department recognises that when two thirds of our emissions come from the use of energy, energy and climate change should not be considered separately, but together.

Some people will ask whether we should retreat from our climate change objectives in tough economic times. In our view, it would be quite wrong to row back, and those who say that we should misunderstand the relationship between the economic and environmental tasks that we face. Of course, there are choices to be made, but there are also common solutions to both—for example, energy-saving measures for households, such as those announced by my right hon. Friend the Prime Minister in September, which cut bills and emissions; or investment in new environmental industries, which both improves our energy security and reduces our dependence on polluting fuels. What we know from the Stern report of 2006 is that the costs of not acting on climate change are greater than the costs of acting on it. Only if Britain plays its part will a global deal in Copenhagen to cut carbon emissions be possible, so, far from retreating from our objectives, we should reaffirm our resolve.

Over the summer, the Secretary of State for Environment, Food and Rural Affairs, to whom I pay tribute for his work and leadership on climate change, asked the independent Committee on Climate Change to review the long-term target for Britain's emissions. Based on a Royal Commission report in 2000, the target had been set at a 60 per cent. reduction in CO_2 emissions. Since then, independent reports have added further to our knowledge. Arctic sea ice has melted faster than expected, global emissions have grown faster than expected and the impact of each degree of climate change is known to be worse than expected.

Last week, Lord Turner wrote to me with the committee's conclusions, which have been placed in the Library of the House. His report found that to hold global warming to 2° above pre-industrial levels—commonly accepted as the threshold for the most dangerous changes in the climate—global emissions must fall by between 50 and 60 per cent. by 2050. Lord Turner concluded that to play its proper part, the United Kingdom should cut its emissions not by 60 per cent. but by 80 per cent. He concluded that the target should apply not just to carbon dioxide but to all six Kyoto greenhouse gases. He also concluded that while there were uncertainties about how to allocate emissions from international flights and shipping, they too should play their part in reducing emissions.

The Government accept all the recommendations of the Committee on Climate Change. We will amend the Climate Change Bill to cut greenhouse gas emissions by 80 per cent by 2050, a target that will be binding in law. I hope that Members on both sides of the House will support that move. Indeed, let me say that I want to create as much of a consensus as possible on climate change. However, as we all know, signing up to an 80 per cent. cut in 2050, when most of us will not be around, is the easy part; the hard part is meeting it, and meeting the milestones that will show we are on track. For us in Britain, the milestones will be shaped by the recommendations of the Committee on Climate Change, which will advise us in December on the first 15 years of carbon budgets. That means national limits to our total emissions, within which we shall have to live as a country. We will report next year on how we will meet them.

We are also determined to ensure that the signal and the commitment come not just from Britain but, as the Prime Minister has been making clear in recent days, from Europe. That means an agreement by the end of this year on strengthening the European Union emissions trading scheme, and on the targets for 2020: that Europe should reduce greenhouse gases by 20 per cent. unilaterally and by 30 per cent. as part of a global deal—targets that I reaffirm today—and that the EU should confirm its renewable energy target.

Earlier this year, we published our draft renewable energy strategy. Having examined the issue, I can say that what is clear to me is not only the scale of the challenge, but the urgency of getting on with the delivery. The renewables obligation has tripled supply in the past five years, and we are making further changes in its structure, in planning policy and in access to the grid. However, having heard the debate on the issue, including what has been said by many colleagues on both sides of the House, I also believe that complementing the renewables obligation for large-scale projects, guaranteed prices for small-scale electricity generation—feed-in tariffs—have the potential to play an important role, as they do in other countries. Having listened to the views that have been expressed, including those expressed in the other place, we plan to table an amendment to the Energy Bill to make that happen.

I believe that renewable power can play a bigger role not just in electricity but in heating. Heating produces almost half Britain's carbon emissions, and cleaner sources of heat can help us to meet our target in 2050 and the milestones on the way. I recognise that we need to make rapid progress on that issue as well, and I will make further announcements soon.

Our objective is a climate change policy that is fair and an energy policy that is sustainable. The present structure of the energy market was designed in a world of abundant supply, British energy self-sufficiency, low commodity prices and an emerging debate—but not a settled consensus—on the issue of climate change. Today, all those assumptions have changed. There is international competition for resources and a need for new investment in supply; there are structurally higher energy prices; and there is urgency about carbon emissions. To respond to this new world we need a market that secures future supply, which must include investment in nuclear power and carbon capture and storage. We need a market that provides incentives for cuts in emissions and does more to help homes and businesses.

Those are the big issues that we need to address for the future, but today I want to signal a direction of travel on affordability. Last week the energy regulator,

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Ofgem, highlighted what it believed to be unjustified higher charges for 4 million electricity customers in areas not connected to the gas main. It also believes that, even when account is taken of higher costs facing companies from customers with pre-payment meters, many homes that use them are being overcharged.

Unfair pricing that hits the most vulnerable hardest is completely unacceptable. I made that clear to the representatives of the big six energy companies when I met them yesterday. I also told them that the Government expect rapid action or explanation to remedy any abuses, and I will meet them again in a month to hear what they have done. We, and Ofgem, are determined to see those issues addressed. Ofgem is consulting on its findings until 1 December as part of a due process, but let me say this: if the companies do not act satisfactorily and speedily, we will consult on legislation to prevent unfair pricing differentials.

For us, markets can provide enormous benefits in dynamism and efficiency, but they will only work properly if they are regulated effectively in the public interest, including with a strong independent regulator. There is more to be done to help consumers, and we will not hesitate to act. We need an end to unfair pricing, feed-in tariffs for electricity generation, and an 80 per cent. cut in emissions.

Our aim is a climate change and energy policy which is fair and sustainable, and which meets our obligation to today's and future generations. That is the work that we are beginning in my new Department, and I commend my statement to the House.

Greg Clark (Tunbridge Wells) (Con): I warmly welcome the right hon. Gentleman's statement, and welcome him personally—along with his ministerial colleagues—to the Front Bench. I also welcome him to the Dispatch Box, where he appears for the first time in his new post.

The Secretary of State is widely regarded as one of the most personable, thoughtful and respected members of the Government. Our debates have always been civilised and productive, and it is certainly my intention that our exchanges on this most important issue for our country's future should remain so. I thank him for allowing early sight of his statement—although not quite as early as that secured by *The Guardian* and the Politics Home website, which published most of the statement this morning. I remind him that the true home of politics in this country is Parliament, and that it should have been through Parliament that the statement was first released. But, for all that, we welcome it.

Conservative Members agree that the choice between ambitious and progressive action on carbon reduction and a successful, powerful economy is, in fact, not a choice at all—they are one and the same. Without decisive action, there is a risk that climate change will leach away huge resources from this country and every other nation on earth. The economic events of recent days have proved that catastrophic risk must be acted on rather than wished away. Does the Secretary of State acknowledge, however, that we start from a position of disadvantage? There has been a decade-long void in the Government's policy on energy, in which successive Ministers have looked the other way rather than addressing the issue of our future energy needs. Does the Secretary of State accept that to the intrinsic difficulties of making choices on energy have been added the consequences of a decade of indecision?

It was Conservative Members who first called on the Government to publish the Climate Change Bill, which we have sought to strengthen through scrutiny in this and another place. We have been called here today for the Secretary of State to announce a new target, but does he share his predecessor's view that the Government are unlikely to meet their 2010 target of a 20 per cent. cut in emissions, despite three successive manifesto pledges? We support his acceptance of the Committee on Climate Change's target of 80 per cent.—we have always said that we should be guided by the science on that—but, as he knows, eight years ago 60 per cent. was considered to be the right target. Does he agree that the committee should keep the target under constant review, and that if the advice changes, so must the target?

Does the Secretary of State share our view that the move to decarbonise our economy should involve leading the way in new technology and practices at home, rather than simply buying in permits from other countries? If he agrees with that, does he also agree that the Committee on Climate Change should advise on the right balance between domestic and traded reductions? Does he accept that his predecessors have been paying lip service to carbon capture and storage without decisive action? Will he commit himself to our policy of funding at least three CCS demonstration projects, so that Britain can lead the world in this vital technology?

If the Secretary of State is serious about decarbonising our economy, will he give us a guarantee by adopting our emissions performance standard, whereby no plant will be licensed if its emissions are worse than those of a modern gas-powered station? Will he acknowledge that decentralised generation offers a vital way for our citizens to cut their fuel bills and emissions, and inject greater resilience into our energy supply? I welcome his belated acceptance of our case for feed-in tariffs for micro and small-scale generation; however, it is regrettable that his statement appeared to contain nothing about tariffs for renewable heat and gas. Will he also now recognise the case for smart metering, which will enable customers to profit from microgeneration? Finally, will he tell us how many vulnerable people he now expects to be in fuel poverty by 2010, the date by which the Government have committed themselves to eradicating it?

Gas customers without pre-payment meters pay up to 40 per cent. more than those using online direct debits and, according to Ofgem, the cheapest online offers may be below cost—in other words, the poorest are subsidising the well-off. We look to the Secretary of State to act through his conversations with Ofgem and the companies, so that the poorest get the most help, not the least.

We welcome the measures that the Secretary of State has proposed today but, as with our public finances and our financial system, on energy and climate change, we are hobbled by—how would his friend the Prime Minister put it?—a decade of irresponsibility. Britain cannot afford the years ahead to be wasted like the years that have passed.

Edward Miliband: In the past few weeks, we have grown accustomed to the bipartisan consensus lasting all of 30 seconds before the Opposition retreat to their

normal practice. I welcome the hon. Gentleman to his new role. I had the pleasure of having him shadow me at the Cabinet Office, where he distinguished himself with his talent—and sometimes with his constructive suggestions. He made his name in the Conservative party through his admiration for Polly Toynbee, which I share. He went slightly further than me, however, because he was in the same party as her at one stage—the Social Democratic party. However, I welcome him to his new position and I am sure that he will fulfil the role with distinction.

Let me deal with some of the specific questions that the hon. Gentleman raised. On the question of inaction and targets, let me say clearly that currently, on the latest figures, our greenhouse gas emissions are 16 per cent. below our 1990 levels. We have made progress. Indeed I think that we are one of the few countries to be going beyond our Kyoto targets. Therefore, far from a decade of inaction, we have been making progress.

On the question of buying in permits, the Climate Change Committee will indeed advise us on that issue. I urge him, as someone who is new to these questions, to take care on that issue. It is right that we set stretching and demanding targets for our country, but it is also right that we find ways, because we are in this together, to encourage other countries to move to a low-carbon economy.

Greg Clark: Both.

Edward Miliband: Exactly. One of the ways of doing that is through carbon trading and buying in permits. He says that it should not be one or the other. That is the position that I am explaining.

On the question of carbon capture and storage, the hon. Gentleman does what the Conservative party has started to do quite a lot, which is to say, "Why don't you just fund more of this?" Of course we want to do more in respect of carbon capture and storage. However, he may not have noticed that times are tight in terms of public expenditure. We are funding a carbon capture and storage demonstration competition. What is more—this is an important point and Conservative Members do not want to hear it, because it is about Europe and they do not like to hear about that—we are arguing within the European Union for a dozen carbon capture and storage projects, which the European Parliament has agreed. In my early experience of this job, it has been quite good to go to European meetings and not to be seen as someone on the sidelines who is talking about withdrawing from the groupings that we are in or about renegotiating existing treaties. Being part of the European Union is about being a proper member of it.

The hon. Gentleman asked a number of other questions. We agree that smart metering has an important role to play. We also agree on the issue of prices. I made it clear in my statement that we expect Ofgem to act as an independent regulator should, and put pressure on the situation in terms of prices across a range of areas, including on the issue of pre-payment meters—he rightly pointed out that that is an issue.

I look forward to my debates with the hon. Gentleman in the coming months, but on the issues of energy and climate change the Conservative party is completely confused. Nuclear power used to be a last resort. Now Conservative Members are not quite sure what their policy is. They say that they are in favour of renewable energy, but all around the country they oppose wind turbines, and they oppose tooth and nail the Planning Bill, which will make it possible for us to make a difference in relation to renewable energy. Therefore, I encourage him in his first few weeks in the job to sort out Conservative party policy on those issues.

Dr. Alan Whitehead (Southampton, Test) (Lab): It is customary to start questions from the Labour Benches by congratulating the Minister on his statement. I do not know how it is possible to add to that, but I unbelievably warmly congratulate the Secretary of State on the statement—the Gordian knot on climate change and energy supply has been untied.

On the proposals for a feed-in tariff for small-scale generators, is it the intention, either directly as a result of the feed-in tariff mechanism, or indirectly through an incentive mechanism, to ensure that heat is part of the process of small-scale generation tariffs as well as electricity?

Edward Miliband: I pay tribute to the work that my hon. Friend has done on these issues, particularly feed-in tariffs. He is one of the people who has led the work on those issues. I have looked at and listened to what he has been saying on those questions. I agree that heat can also play a role. We need to find ways of doing that. I look forward to talking to him about those issues. Again, we will want to make announcements very soon on that issue.

Steve Webb (Northavon) (LD): I also warmly welcome and congratulate the right hon. Gentleman on this critical role within government. I also congratulate the Government on following the Lib Dem lead from nine months ago and putting energy and climate change into a single brief. However, I want the right hon. Gentleman to be even more powerful than he is because we will tackle climate change effectively only if he also has control over pretty much the rest of the Government as well. Is it not the case that, in the week that he was appointed, one of his ministerial colleagues said, "We will expand Stansted airport"? What is the point of having a climate change Minister who has no clout with the rest of the Cabinet? I urge the Secretary of State to wield a big stick around the rest of the Cabinet and ensure that not just energy and climate change decisions, but all other Government decisions are taken through a green lens.

I welcome the move to the 80 per cent. target. Can I save the Secretary of State some trouble? He does not need to table a fresh amendment. He can simply accept mine: amendment No. 1 to the Climate Change Bill, which deletes "60" and inserts "80". It is on the Order Paper, and I will be honoured to have his name added to it.

On a serious point, can the Secretary of State clarify the coverage of the 80 per cent. target? He used some vague words in his statement about aviation and shipping playing their part, but he did not say that they were included in the 80 per cent. target. Is not excluding aviation and shipping from the 80 per cent. target like being on a calorie-controlled diet but not counting the cream cakes that one plans to eat? Surely, we have to count the big polluters and the rapidly growing polluters in the target.

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On the issue of domestic effort, we fully appreciate the importance of saving emissions at home and abroad, but is it not the case that the Climate Change Bill would allow every single saving to be brought in? We do not have to save any domestic emissions at all under the Bill. Surely the Secretary of State, when he goes to international forums, wants to set the lead? Is there not some floor that he is willing to set that insists that the British domestic effort is substantial?

The Secretary of State had a meeting with the energy companies yesterday, the latest in a very long line of cosy chats with them that have delivered precisely nothing. Is it not time, not for more cosy chats, but for action? His statement says that, if the energy companies do not play ball, he will threaten them with consultation on legislation. Have not hard-pressed customers had to wait long enough?

Today, I have published figures that show that the poorest four fifths of single pensioners will on average be in fuel poverty this winter; the figures were produced by the House of Commons Library based on Office for National Statistics projections. That is totally unacceptable. Waiting another month and then consulting is too late for pensioners this winter. Will the Secretary of State act far more urgently than that?

Edward Miliband: I thank the hon. Gentleman for his kind words about my statement. It is probably a good sign that everyone is trying to claim credit for that on the Opposition Benches—perhaps that is better than the alternative.

Let me deal with the specific questions that the hon. Gentleman has raised. The first was about Stansted airport and the announcement by my right hon. Friend the Secretary of State for Transport. One needs to be honest about the trade-offs and difficulties. If we carry on flying in the way that we are and expanding airports, we need to do less of other things. We are absolutely determined—this is why I said that—to meet our overall targets.

The hon. Gentleman raised the issue of the 80 per cent. target and whether it includes aviation and shipping. Lord Turner's advice is that they should be taken into account and be considered as part of the overall target. There are concerns, however, about including aviation and shipping in the Bill which relate to the measurement and calculation of international aviation, and the hon. Gentleman knows that there are ongoing discussions about how to calculate international aviation—domestic aviation is easier to deal with. However, it is, of course, the case that aviation and shipping need to be part of our overall approach to cutting carbon emissions. That is why, for example, we have argued that aviation should be part of the EU emissions trading scheme, which will be the case from 2013. The hon. Gentleman invited me to sign his amendment. I shall have a look at that and get back to him. However, I suggest that he does not call me; I will call him.

On the important issue of energy prices and pensioners, I agree with the spirit of the hon. Gentleman's remarks about the urgency of getting on with things. I have been in this job for less than two weeks, and I am absolutely committed to moving as quickly as is legally possible on all these issues, as I have been making clear to officials in my Department—and as I made clear yesterday to the big six energy companies, and as I have made clear in my two meetings so far with Ofgem, the independent regulator. We have a regulatory system in this country that we must observe, but I am absolutely determined that we will deal as speedily as possible with some of the issues the hon. Gentleman has raised.

Malcolm Wicks (Croydon, North) (Lab): I thank my right hon. Friend for making a clear, serious and radical statement, which encourages many of us, and I congratulate him and his formidable ministerial team as they take up their new responsibilities. They take them up at a time when the geopolitics of energy insecurity impinge not only on Europe's and Britain's supply, but on Britain's national security.

May I ask two questions? Many of us believe that climate change is truly the big challenge facing our planet this century. Will my right hon. Friend confront the siren voices that we are now hearing in many parts of the world, including Europe and Britain, that say that, given the economic and financial difficulties, we cannot afford to save the planet? My right hon. Friend has stressed the economics of tackling this problem, and I wish him all strength in that campaign.

My second question is on affordability. Despite the Government's many achievements in many Departments in safeguarding the interests of the most vulnerable, we know that many vulnerable people, and not just the elderly, are frightened about the prospects this coming winter. Will my right hon. Friend consider going further than the energy efficiency package that has been announced, and develop a kind of national plan—to use an old-fashioned term—so that we can start to retrofit Britain's housing stock to help tackle the problem of carbon emissions while making sure that we understand our duty to protect our most vulnerable from the perils of the cold?

Edward Miliband: Let me start by paying tribute to my hon. Friend for the great work he has done on this issue. He started much of what was in my statement on the energy side. I know that people across the House and across the energy industry have the highest regard for the work he has done on these matters, and I look forward to carrying on working with him in his new role around global energy markets.

On my hon. Friend's climate change question, I completely agree that we must confront the siren voices who say we should retreat and row back from these commitments, partly because we know that the longer we wait the worse the problem will get, and partly because, as I said in my statement, we know there are ways in which we can address both the economic issues we currently face and the long-term climate change questions.

I also have a lot of sympathy with what my hon. Friend has said on the issues of fuel poverty and affordability, and I am urgently looking into that by asking what more can be done, as soon as possible, to help such vulnerable people. Let me make just one other point, however, which refers back to my statement. We have a market system that was designed 20 years ago in completely different times, and some of the issues that we are now facing are symptomatic of having a differently designed system created some time ago. Therefore, there

is a whole set of questions that we need to consider to do with how we can fundamentally tackle the issues my hon. Friend raised in his second question.

Peter Luff (Mid-Worcestershire) (Con): As Chairman of the Business, Enterprise and Regulatory Reform Committee, which has had responsibility for scrutinising energy policy, I must welcome the higher priority that is being given to energy and climate change matters, even as I regret what I imagine will be the loss of my Committee's responsibilities in this area, and also the loss of an excellent Minister of State, the hon. Member for Croydon, North (Malcolm Wicks), who will be greatly missed. I also worry that the new Department might have an inappropriate tension between energy and climate change, because there is a tension between those two matters; securing supply is also very important for keeping the lights on, and I did not hear quite enough on that in the Secretary of State's statement, although I am sure we will hear more about it later.

Let me ask a question specifically on fuel poverty. The Secretary of State referred to pre-payment meters, but may I gently remind him that they are not the real issue? The real issue is standard credit terms. Most fuel poverty is concentrated among pensioners and others who are on standard credit terms, and that, for me, is the real political priority if we are to keep people warm this winter.

Edward Miliband: I thank the hon. Gentleman for his question, and I pay tribute to his Committee for its July report on these issues. I recommend it to Members as a good read—although perhaps not a bedtime read—as it addresses in great depth the issues surrounding the energy market and energy prices. It is an impressive piece of work, and I have found it extremely useful.

I agree with the points the hon. Gentleman makes on security of supply being a very important issue. Of course, there are always dilemmas and tensions in Government, such as between energy and climate change, and we need to find ways of resolving them. The new Department can, however, also now take advantage of the synergies between those two issues.

The hon. Gentleman asked about people on standard credit, and I agree that that is an issue. On pre-payment meters, however, let me just say to him that there is a conventional wisdom, which I do not say he shares, that many of the people on pre-payment meters are not disadvantaged people. The fact is that 53 per cent. of people on pre-payment meters are in the D and E socio-economic categories. Disproportionately, it is the poorest who are on such meters. Not everyone on a pre-payment meter is poor, but many of the poorest in our society are on one. That is, therefore, an urgent issue, and so, too, are the other matters that the hon. Gentleman has raised.

Tony Lloyd (Manchester, Central) (Lab): I, too, welcome my right hon. Friend's bold statement. The 80 per cent. target will be widely welcomed not only in Britain, but throughout the world. In response to my hon. Friend the Member for Croydon, North (Malcolm Wicks), my right hon. Friend made the important remark that we need to look again at the whole structure of the energy markets. Will he give the guarantee, which I think is consistent with what he has said, that we will never allow price to be used as an instrument to ration energy supply to the poorest people in our country, because this issue is not only about security of supply, but it is also about adequacy of supply for people who need heat and light?

Edward Miliband: My hon. Friend is absolutely right, but we need to address the issues in a cautious manner because, as the hon. Member for Mid-Worcestershire (Peter Luff) has said, investment and security are also important matters, and we need to ensure that companies keep investing. In this area, there is a whole range of problematic issues across the board, which, again, the Select Committee addressed very well. As I pointed out to the energy companies, only 60 per cent. of the people who switch supplier do better from having done so, which means that 40 per cent. are either no better off or worse off from having switched. I made the point to the energy companies yesterday that that does not suggest to me that the market is working as well as it should in relation to the information people are receiving and what is happening with prices. Somebody said to me yesterday that a week after having switched suppliers the prices changed and they were worse off from having switched. Therefore, a whole range of issues need to be looked at; I thought it was better to look at them in detail with proper care and attention than to make statements about them in my first two weeks in the job, but they are important issues that need to be addressed.

Mr. David Heathcoat-Amory (Wells) (Con): Is the Secretary of State aware that earlier this week the Department for Transport brought forward new environmental regulations for the automotive industry where the Government's own impact assessment showed that the costs are likely to exceed the benefits, possibly by as much as £11 billion? Does that not show that there are better ways of reducing our carbon emissions, such as by the Government's new-found and recent conversion to nuclear power, and that it would be a sad and damaging outcome to his statement if we were to meet our UK emissions simply by driving businesses and jobs, and emissions, overseas without any benefit to the global environment, but at further great damage to British manufacturing industry, which is already in recession?

Edward Miliband: Two issues are raised by the right hon. Gentleman's question. The first is the efficiency with which we meet our targets and about which he makes an important point. Our overall target for climate change emissions and the EU emissions trading scheme play an important role, but the more extra targets we have below that, the more danger there is that we will meet those targets less efficiently. I did not refer to that when the Opposition Front-Bench spokesman asked me about the matter, but that would be my response to additional targets and limits in relation to specific power stations. The right hon. Gentleman raises an important point on that.

The point on which I disagree with the right hon. Gentleman is that I think the European Union must play an important role. A lot of cross-border issues are involved, such as the EU emissions trading scheme, and they need to be dealt with in a cross-border fashion. We need a European dimension, partly for reasons of

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competitiveness. We also need to take care, when setting new targets, that we do not damage our competitiveness unnecessarily.

Mr. Elliot Morley (Scunthorpe) (Lab): I welcome my right hon. Friend and his team to the new Department, which is an excellent step forward. It could not have had a better start than this statement, which addressed not only targets but issues such as the consumer impact. I welcome his comment that markets have changed in the past 20 years, and I wonder whether that logically means that the regulator's role should be reviewed to address those changes.

As chairman of the all-party Globe UK group, I have written formally to my right hon. Friend, not only to welcome him to his new post but to offer our support as we move towards the crucial 2009 COP 15, and to express the importance of a post-Kyoto framework coming out of that conference. In that respect, does he share my concern that there are signs that some European member states are going backwards on mid-term targets because of the situation that we face? Does he agree that the European Union needs to set a clear example and send a signal if we are to get an agreement at COP 15?

Edward Miliband: Again, I pay tribute to my right hon. Friend's work, both in Government and as president of Globe, which is an important organisation that works with legislators across the world on climate change issues. His work will be an important part of our securing a deal in Copenhagen at the end of next year.

On the wider questions of regulation that he raises, I shall proceed cautiously. It is important that we continue to get the investment that we need in the energy market, but I have come to no conclusions on the matter yet. The context has changed and, in the coming months, I shall examine the implications of that on policy.

Malcolm Bruce (Gordon) (LD): May I make a plea for people in rural areas who have no option of gas and depend heavily on heating oil? According to the Library note, heating oil is 86 per cent. above its July 2008 price and 227 per cent. above the late 1998 and early 1999 low. Those people are really hurting, and they are not benefiting from falling prices as others are. What can the Secretary of State's Department do to ensure that they do?

Secondly, the Secretary of State has not mentioned the security of our own oil and gas production, which will still be needed despite the climate change commitments. Can he reassure us that the Government have a commitment to maximising production from our own resources for our own security?

Edward Miliband: On the second point, absolutely. That is very important. I put it to the right hon. Gentleman that we are a transition economy, but it will be a long transition and the role of oil and gas will be central for many years to come. I absolutely agree with him about that.

On rural areas, I shall examine the right hon. Gentleman's point about heating oil. He raises an important issue, because I believe that the 4 million electricity-only customers identified in the Ofgem report are mainly in rural areas. Part of the discrimination that Ofgem has found is against people in rural areas, who are paying more than they should be. I hope that the companies take action on that quickly to help ease some of the problems to which he refers.

Lynne Jones (Birmingham, Selly Oak) (Lab): I too welcome my right hon. Friend to his important new role in this very important new Department. I congratulate him also on the quality of his statement and particularly the decisions that it contained, such as the change of heart on the feed-in tariff, which I very much welcome.

My right hon. Friend mentioned Stern. May I ask him to consider how we are progressing towards achieving Stern's recommendation that we should be spending 1 per cent. of gross domestic product on reducing and mitigating climate change? Of course, the feed-in tariff is an example of the Government using their powers to encourage private investment, and nobody is suggesting that all the money needs to come from Government sources. However, the information from the Library suggests that Government spending is only a fraction of what it needs to be if we are to meet the Stern recommendations. May I ask him to examine that? After all, having strong targets is no good if we do not have the means of achieving them.

Edward Miliband: My hon. Friend makes an important point. I think that the 1 to 2 per cent. recommended by Stern was for 2050, so we have some time to get there. I shall take that as a homework point to go away and examine. Working out the direction of travel for public spending and what will be required is an important part of the attempt to tackle climate change.

Several hon. Members *rose—*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. I think that the time has come for a plea for brevity. I have to protect the important debates to follow, so I am aiming to move on to them by roughly 1.25 pm. I hope that I do not hear the word "secondly" again, and I am afraid that those who arrived late for the statement may be casualties.

Mr. Henry Bellingham (North-West Norfolk) (Con): Will the Secretary of State find time to come up to Norfolk and join me on a flight over the Wash, where he will see a large number of offshore turbines? We will eventually have 500 or so. They are very popular, in stark contrast to onshore turbines, which generate very little electricity, are extremely unpopular and do great damage to the environment. In a case such as Norfolk and Suffolk, does he agree that turbines should be concentrated offshore?

Edward Miliband: I will be cautious about accepting the hon. Gentleman's invitation, not least because of the carbon emissions that would flow from flying over the wind farms. However, I agree that offshore wind plays an important role. Believe it or not, we are about to overtake Denmark in the amount of offshore wind power that we have, which is a good sign that we are moving in the right direction.

Barry Gardiner (Brent, North) (Lab): My right hon. Friend's statement was dynamic and decisive, and it has given his Department the best possible start. In setting the 80 per cent. target, he has recognised that long-term certainty is vital for investment in energy. Will he consider ensuring that investment can be made in renewables, particularly wave technology and other marine technologies, and that incentives are aligned with the need for the technology?

Edward Miliband: Again, I pay tribute to my hon. Friend for his work on forestry and a range of other matters. I shall definitely consider wave technology, which has already been raised with me, and I am happy to have a meeting with him about it.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): In answer to my right hon. Friend the Member for Gordon (Malcolm Bruce), the Secretary of State mentioned the study of electricity prices. It is important that our constituents get a fair deal on electricity in rural areas, where there is no access to the gas main. He did not tackle the fundamental point that even a slightly cheaper electricity bill will not pay the oil bill. The cost of heating homes that do not have access to the gas main is disproportionate. If the Government seriously want to tackle poverty in rural areas, they will have to come up with a much more robust strategy for those who do not have access to the gas main.

Edward Miliband: The hon. Gentleman will forgive me; I do not have an immediate answer to that question. I shall endeavour to look into it now that it has been raised by both him and the right hon. Member for Gordon (Malcolm Bruce).

Mr. Deputy Speaker: I call Mr. David Winnick.

Nia Griffith (Llanelli) (Lab): Thank you, Mr. Deputy Speaker. I certainly welcome—

Mr. Deputy Speaker: Order. I called Mr. David Winnick.

Mr. David Winnick (Walsall, North) (Lab): I think that there is a difference—at least, I hope so.

I welcome my right hon. Friend's statement, but will he accept that there is bound to be anxiety up and down the country at the increase of some 35 to 40 per cent. that is being implemented in domestic prices? Would it not be useful if, when he met the energy companies, he would be a little tougher and make it clear to them that those increases should be cancelled? If not, why not a windfall tax?

Edward Miliband: My hon. Friend has a long-standing interest in these matters. As he knows, a windfall tax is really a matter for the Chancellor of the Exchequer, not for me, but I would say to my hon. Friend that we are very concerned about what is happening to prices. The wholesale gas price is now going down, and we will be looking to see how that is passed on to consumers. We absolutely want that to happen.

Mr. Philip Hollobone (Kettering) (Con): My constituents support renewable energy. We have a wind farm at Burton Wold with 10 turbines, soon to expand to 17 and possibly to 24 in future. It supplies between a quarter and a third of the houses in the borough of Kettering. What local residents do not want is loads more wind farms all over the countryside, but five planning applications are coming through. What mechanism exists for local authorities to support a wind farm in their locality without feeling pressurised into giving permission for all the applications that come along?

Edward Miliband: In the end, this is a matter for local decisions. We have taken action in the Planning Bill to speed things up, but this issue is not easy. I know, from the experience in my constituency, that people worry about the impact of wind farms on the value of their houses and so on. The problem is that, as always with these things, if we do not act on questions of renewable energy—the hon. Member for North-West Norfolk (Mr. Bellingham) rightly made the point about offshore wind, but onshore wind must also play a part—we will not meet our renewable energy targets. There is no easy answer, but I think that feed-in tariffs and the possibility of community wind farms and smaller-scale projects have an opportunity to command more public consent than larger-scale projects sometimes do. That is another reason why I hope that the decision I have made about feed-in tariffs will help on some of these questions.

Nia Griffith (Llanelli) (Lab): I apologise to you, Mr. Deputy Speaker, and to my hon. Friend the Member for Walsall, North (Mr. Winnick), for jumping in too early.

In order to reduce our emissions by 80 per cent., we clearly need increased investment in a wide range of renewables. Will the Secretary of State carefully consider what the cumulative effect would be on forest and land use around the world of locating enough biomass material to feed all the biomass power stations in the planning system? I fear that our system of renewables obligation certificates might end up rewarding electricity producers for importing biomass materials huge distances from unsustainable sources. That would be completely different from small-scale projects using locally sourced biomass.

Edward Miliband: The question was definitely worth waiting for, because this is an important issue. My hon. Friend may know that an independent report on forestry published earlier this week argued precisely for a sustainable approach to forests, which must include the approach we take on biomass. I hear her comments and will think further about them.

Mr. David Heath (Somerton and Frome) (LD): I welcome the statement, although I did not quite hear the detail about the insulation scheme that the Leader of the House advertised in advance. I am strongly in favour of that scheme, which is long overdue. The problem that I face is that many of my constituents are among the most vulnerable people, because of the reasons explained by my Liberal colleagues—they are dependent on oil fuel or high-tariff electricity; and they live in houses that are often cold, damp and old, so they cannot benefit from cavity wall insulation. May I suggest to the Secretary of State that we need the maximum flexibility in the scheme so that the most appropriate measures are taken to reduce energy need, whatever that might be in a particular area and for a particular type of house?

Edward Miliband: I agree with the hon. Gentleman that we need as much diversity as possible, particularly in relation to the CERT—carbon emissions reduction target—scheme. One thing that I discussed with the companies was the diverse range of ways in which they can help people with their heating bills. It is right that we make and encourage the investments involved in this scheme, because that is a sustainable way to reduce people's bills. I know that there are issues to address, particularly in respect of older houses and the kind of technologies that we need to develop. We need to speed up such development and continue to examine it.

Mr. David Hamilton (Midlothian) (Lab): I congratulate my right hon. Friend on his radical statement, which contains enough to give credence to everybody's point of view. I wish to make two points. First, security of energy is of the utmost importance, because, at the end of the day, we must deal with it. Secondly, clean coal technology must be part of that dimension. Some 85 per cent. of our reserves are still in this country, so it would be ludicrous if we did not deal with that. May I ask him to take one message back to the six companies? Can he tell him that if they do not change, Members on both sides of this House will change things for them?

Edward Miliband: I agree with my hon. Friend, because keeping the lights on is a central part of what we need to do and the security of supply is obviously central to that. He also makes a very important point about the future role that coal and carbon capture and storage can play. I concur with that, as a result of my local experiences.

Mr. Jamie Reed (Copeland) (Lab): My right hon. Friend rightly talked about the role of our European partners in creating an effective response to the environmental challenges that we face. Will he undertake to show the same effort with regard to the incoming United States Administration, to ensure that the international response is what it needs to be?

Edward Miliband: I thank my hon. Friend for that question. He raises a very important issue that will define whether we get an agreement at Copenhagen at the end of next year. I am very encouraged by what both candidates for the presidency have said about what they want to be doing on the environmental and climate change issues that we face, and the role that the US can play. Obviously, Britain, Europe and other countries have an important role to play after the US election in engaging in dialogue with our US partners about how they can be part of a successful process leading up to the Copenhagen meeting.

Hywel Williams (Caernarfon) (PC): Plaid Cymru and the Scottish National party welcome the new target. It will be particularly welcome in Wales, where the "One Wales" coalition Government agreement already commits the Welsh Assembly Government to a 3 per cent. annual reduction in greenhouse gas emissions.

On unfair pricing, I wish that the Government would move towards legislation quickly, because the energy companies' record is not good. Can the Secretary of State give an early indication of the nature of such legislation? Would it be UK-wide or would it cover England and Wales? Alternatively, would he take the option of having enabling clauses to allow other Welsh Assembly Governments to build on an already good basis? That would be of interest to Welsh consumers.

Edward Miliband: We need to examine the matter in more detail, but if we took legislative action to end unfair pricing in these areas, we would want to ensure, by talking to the Welsh Assembly Government and our counterparts in Scotland, that it was UK-wide. The situation may differ in different parts of the country, so I cannot prejudge that issue. Clearly, this is something that we would want to have across the country.

Mr. Michael Clapham (Barnsley, West and Penistone) (Lab): I welcome my right hon. Friend's statement and, indeed, the new team. When he met the energy companies last week, did he discuss phase 2 of the EU emissions trading scheme? As he knows, the energy companies will pick up a large sum, estimated by Ofgem to be £9 billion. Did he talk about how that might be used to deal with some of the problems that we have just discussed? Were the energy companies responsive to any of his suggestions?

Edward Miliband: The meeting that I had with the energy companies yesterday is becoming increasingly public. There is an awareness of the long-standing issue of the EU ETS and how the decision was made on carbon allowances, and of the EU ruling on that question. The companies would say that they are using that money for investment. It is also important that they realise that at this time, when people are under terrible financial pressure, they have a set of responsibilities to our wider society and to the people who are their customers—I certainly made that point to them.

Tony Baldry (Banbury) (Con): As someone who served on the Public Bill Committee on the Climate Change Bill, I very much welcome the Secretary of State's statement, although one thing puzzles me. If we are to meet the emission targets, surely power stations such as Kingsnorth will require effective carbon capture from day one, rather than at some unspecified date in the future.

Edward Miliband: I have not prejudged—it would be wrong for me to do so—a decision about Kingsnorth, which, as the hon. Gentleman knows, is part of a process. I agree that carbon capture and storage is essential as a clean fuel of the future. It is the thing that makes fuels such as coal very important and part of our energy future. CCS must be central to our plans.

Anne Snelgrove (South Swindon) (Lab): I thank my right hon. Friend for listening to the arguments of the Labour Back Benchers on the Public Bill Committee who originally tabled the "remove 60 and replace with 80" amendment and making that replacement. Will he consider whether public sector buildings should be in the top quartile of energy efficiency so that we can achieve an 80 per cent. carbon emission cut by 2050?

Edward Miliband: I pay tribute to my hon. Friend's work and that of Labour Back Benchers on pushing this issue forward. She makes an important point about public sector buildings, because we need to do a lot more in that area. The Parliamentary Secretary, Cabinet

Office, my hon. Friend the Member for West Bromwich, East (Mr. Watson) is working on these issues, and I intend to work with him to move forward what we are doing in this area, because the public sector must show a lead.

Mr. Roger Williams (Brecon and Radnorshire) (LD): One of the first reports to land on the new Secretary of State's desk will be on the viability and potential of the Severn barrage. A number of organisations are lining up against the barrage, including Friends of the Earth and the Royal Society for the Protection of Birds. Will he undertake to bear in mind, when considering that report, that other technologies could be equally productive in terms of energy, but much more friendly in terms of nature conservation?

Edward Miliband: Again, I hope that the hon. Gentleman will forgive me for being coy on such questions. I want to examine issues such as the Severn barrage properly, and I will certainly take account of the points that he raises.

Mr. Clive Betts (Sheffield, Attercliffe) (Lab): I very much welcome the commitment to the 80 per cent. target. It is an ambitious target, as my right hon. Friend will agree, that will require co-operation from all levels of government. Will he therefore have a word with the Secretary of State for Transport to try to persuade him to support an amendment that I have tabled to the Local Transport Bill that would require all local authorities to have regard to issues of climate change when formulating their transport policies?

Edward Miliband: I will definitely do that. My new Department has a wider role across government, working with the Departments for Transport and for Communities and Local Government and others, on such issues. We will not always succeed in our aims, but I accept that we have that responsibility. My hon. Friend also raises an important point about the role of local authorities and communities in being part of the battle to tackle climate change.

Phil Wilson (Sedgefield) (Lab): I welcome the dynamic statement that my right hon. Friend has made today. As he knows, the north-east of England is well placed to lead the way in offshore wind farms. What is his Department doing to prioritise offshore wind farms and what part will they play in reaching the 80 per cent. target?

Edward Miliband: Offshore wind does play an important part in our plans. In the Energy Bill, we are introducing a so-called banding system for the renewables obligation that will reward offshore wind, taking account of its higher costs with one and a half renewable obligation certificates rather than the standard one. That will incentivise people to build offshore wind capacity. We are apparently overtaking Denmark and I am told by my officials and the British Wind Energy Association that that is a big deal. However, I am sure that there is further to go on offshore wind.

Paul Flynn (Newport, West) (Lab): May I urge my right hon. Friend to pursue his proposals on feed-in tariffs with vigour, because they will produce benefits quickly, and avoid being bewitched by the Pied Piper of nuclear power, which will not?

Edward Miliband: I will try to avoid being bewitched. I will also try to take a balanced approach to these issues. We need a diverse energy supply that includes nuclear as well as renewable energy and microgeneration.

Kerry McCarthy (Bristol, East) (Lab): My right hon. Friend has certainly hit the ground running in his new job, but he may not yet have realised that Bristol has ambitions to be the green capital of the UK. That is illustrated by the fact that nearly 1,000 people have written to me about the 80 per cent. target. To achieve that target, we need fundamental changes in our behaviour, as individuals, as companies and in the public sector. What is he doing to encourage people to adopt more sustainable lifestyles?

Edward Miliband: I thought that my hon. Friend was going to ask what I was doing to adopt a more sustainable lifestyle. I am certainly not putting myself forward as a paragon of virtue, because that would be very dangerous. The argument on the science of climate change has been won, but the argument about how people can make a difference has not yet been won, and we have a lot more to do. We have the Act on CO_2 campaign which my hon. Friend the Under-Secretary led in her time at the Department for Environment, Food and Rural Affairs and will lead in the new Department. However, more can be done in local communities to show how they can lead the way in tackling climate change.

Ms Celia Barlow (Hove) (Lab): My constituents will greatly welcome the measures announced today, especially the 80 per cent. target, which I called for in February. However, many of my constituents live in houses in multiple occupation. What can be done to assist them not only with pre-payment meters, but to achieve the target and become more green, which is what they want?

Edward Miliband: My hon. Friend raises an important point, but it is one to which I do not have an immediate answer. How do we encourage landlords, especially private sector landlords, to play a role in relation to energy efficiency? More can be done on that and it is something that I am considering.

Mr. William Cash (Stone) (Con): In relation to carbon capture and storage, will the Secretary of State consider preparing plans to reopen the mines, for the reasons given by the hon. Member for Midlothian (Mr. Hamilton)? We would have to run both policies in parallel, and the training that would need to go with them. Does he also recall the Radio 4 programme about three weeks ago in which Sir David King and Dieter Helm severely condemned the wind turbine policy, in line with the arguments that we are making in Norton-in-Hales and Maer in my constituency?

Edward Miliband: I shall endeavour to obtain a transcript of the programme, although I do not agree with those views on the evils of wind turbines. I do agree that coal can play an important role in our future. As I have said, carbon capture and storage and the new technologies are an important aspect of making clean coal part of the energy mix of the future.

Dr. Phyllis Starkey (Milton Keynes, South-West) (Lab): May I reiterate the importance of improving the energy efficiency of the existing housing stock and remind my right hon. Friend that on top of the problems of older houses and private landlords there is also the issue of housing of non-traditional construction, much of which is in the control of local authorities, and almost all of which is lived in by people on very low incomes? Those houses cannot be easily made energy efficient, but they must not be left out.

Edward Miliband: My hon. Friend speaks with a deep knowledge of these issues and I look forward to hearing her suggestions on what we should do in that area. She clearly raises an important point.

Mr. David Anderson (Blaydon) (Lab): May I respectfully suggest to the Secretary of State that he does not take too much advice from the Conservatives who, after all, destroyed the cleanest coal technology in the world and put in place the companies who are fleecing our constituents? In discussions about clean coal technology, everyone talks about carbon capture and storage, but we should also consider the underground gasification of coal. Will he meet me and people from Newcastle university who lead the world in that?

Edward Miliband: I would be happy for our team to do that. CCS and IGCC—as I think it is called, although I shall not try to remember what that stands for. It may be intergasification combined cycle, or integrated—no, I should not have tried. In any case, all those technologies have an important role to play in the future.

Mr. Jim Devine (Livingston) (Lab): My constituents will welcome this statement and, in particular, the action that the Secretary of State is taking against energy companies. Has he considered similar action against the petrol companies? Petrol prices were $147 a barrel, and the price was rising almost every day, but it has now fallen. Apart from at Asda and Tesco, however, pump prices remain high, despite the fact that oil prices have almost halved.

Edward Miliband: The fundamental point that my hon. Friend makes is right. When prices go up and companies pass them on, the counterpart should be that when prices fall, the reduction needs to be passed on urgently and swiftly.

Mr. Deputy Speaker: I call Anne Moffat.

Anne Moffat (East Lothian) (Lab): Oh you are a sweetheart, Mr. Deputy Speaker. I did not think that I was going to be called—

Mr. Deputy Speaker: Order. I have been called many things, but that was a first.

Anne Moffat: I just love you today, Mr. Deputy Speaker.

I congratulate the Secretary of State on his new job, but will he have the guts to tell the Scottish Executive that they cannot rule out nuclear power when it comes to security of supply?

Edward Miliband: I will not comment on how I regard you, Mr. Deputy Speaker, other than to say that I have the greatest of respect for you.

My hon. Friend is right that nuclear power must be part of our energy mix. We were right to lift the moratorium on nuclear power, and I am sorry that the Opposition took a long time to come with us on that issue. I will certainly make that point to the Scottish Executive.

Fiona Mactaggart (Slough) (Lab): Like everyone else, I welcome the statement, and I am especially looking forward to the letters that I shall write to those many constituents who have asked about a cut of 60 per cent. and feed-in tariffs. In his increasingly public meeting with the energy companies yesterday, did my right hon. Friend get a commitment from them that the very poorest people, who are on enforced pre-payment meters, will pay the lowest tariff?

Edward Miliband: It is fair to say that there is further to go with the energy companies on these issues. There are two questions, and we must be clear about them. First, the energy companies claim—currently supported by Ofgem—that the cost to the companies for people with pre-payment meters are higher than for other people. I am urgently investigating that claim. The second issue—also raised by the Ofgem report—is that even taking account of those higher costs, people on prepayment meters are paying too much. On that point, I have demanded urgent action from the companies. On the first issue, I am investigating the truth of those claims and what can be done about the issue in general.

Mr. Deputy Speaker: I thank hon. Members and the Secretary of State for making reasonable progress. I hope that I have not prejudiced the chances of hon. Members who wish to speak in the other debates.

TOPICAL DEBATE

Energy Providers

1.29 pm

The Minister of State, Department of Energy and Climate Change (Mr. Mike O'Brien): I beg to move,

That this House has considered the matter of energy providers.

My right hon. Friend the Secretary of State for Energy and Climate Change has just told the House that our new Department aims to have a climate change policy that is fair for people and an energy policy that is fair for the planet. The issue is how we balance those things, and I want to set out how we intend to do so.

I join other colleagues in paying tribute to my predecessor as energy Minister, my hon. Friend the Member for Croydon, North (Malcolm Wicks), who for three years provided leadership and a deep commitment to dealing with fuel poverty and ensuring energy security in this country. My right hon. Friend the Secretary of State and I look forward to working with him in his role as the Prime Minister's special representative.

It is important that we reach a balanced view on climate change policy and energy policy. We must understand three key points. First, global circumstances shape our choices at home. Secondly, we must ensure that energy suppliers are encouraged to deliver affordable energy in sufficient quantity. Thirdly, we must be clear-eyed about the need for new energy generation in Britain.

On the first point, we know that the global financial situation means that we all face serious times. Now, more than ever, climate change and the green agenda will face a testing time. There will be what my predecessor called siren voices, who will say that to deal with the financial problems we need to forget about the green agenda. The statement made today by my right hon. Friend the Secretary of State had not only an important practical objective but a symbolic importance. He clearly said that the Government will not be distracted, will maintain their focus and will ensure that climate change is at the forefront of the Government's agenda.

The Stern report made it clear that the longer we wait to deal with the problem, the greater it will be and the higher will be the price to pay for not dealing with it. It is important that we focus on the issue in the coming years. However, these are serious times for people who have to pay bills—for companies, small businesses and individuals. In the first half of this year, average UK domestic electricity prices were the fifth lowest in the EU; average gas prices were the lowest. However, during the following months, price rises for households and companies followed substantial rises in international wholesale prices for crude oil, natural gas and coal. That, of course, fed into the increasing prices of electricity and the bills that people receive.

International prices more than doubled between 2006 and early to mid-2008, principally because of rising global demand for fossil fuels, bottlenecks in freight and underinvestment in global production. Customers around the world are paying more for their energy and, even with a competitive UK supply market, our markets alone cannot entirely protect us from global pressures and competition for energy sources and resources.

Sir Robert Smith (West Aberdeenshire and Kincardine) (LD): The Minister is right that we are now in a globally dependent market, but it is very important that we maximise production from our own market. Is he aware of the growing concern in north-east Scotland that although the big companies—I declare an interest as a shareholder in Shell—have enough cash to invest, much of the future production and investment in the North sea has been from smaller companies entering the market. The smaller companies rely on the capital markets, which are frozen at the moment. Will he ensure through PILOT that a strategy is in place to tackle the impact of the credit crunch on that vital investment in the next round of North sea xploration and production next year?

Mr. O'Brien: The hon. Gentleman is quite right that we need to ensure that the credit crunch and problems in the financial markets do not prevent the long-term investments that we need in the North sea and off the coast of Scotland to ensure that we get the maximum benefit. There is still a lot of benefit to be obtained from the oil and gas that is still accessible. The need to ensure that some of the smaller companies—particularly some of the American companies, but others, too—can access the more difficult-to-access resources is enormously important.

Of course, with the credit crunch problems there are likely to be some issues with the accessibility of finance. We want to use PILOT, as the hon. Gentleman suggests, and work through some of the issues with the companies to see whether we can maintain as much of that financial long-term investment as possible.

We must remember that that investment is long term and that many of the companies will already have sorted out some of the finance. They may well produce some problems as a result of what has happened in the past month or so. If we can work through some of those issues with them, and see whether we can get some recognition that there is a stable, long-term Government interest in ensuring that the investment happens, we can provide some element of reassurance. I cannot promise that we will solve all the problems, but we are certainly very alive to them.

Mr. Jim Devine (Livingston) (Lab): Does my hon. and learned Friend agree that although there might be sustainable oil, we should not base an economy on it, recognising the fluctuations that we have seen over the past five or six months?

Mr. O'Brien: My hon. Friend knows that oil and gas is depleting, and although it still provides about two thirds of the oil and gas needed for our economy as a whole, it is depleting at a rate of about 10 per cent. a year. Basing a whole economy on that is obviously not the way forward. A diverse economic base is needed, and the Government have tried to encourage the diversity of that economic base. I only wish that we had a level of co-operation from the Government in Scotland that would enable much more of that diversity, rather than a pretence that they can rely on resources that are merely depleting at the moment.

We need to ensure that we deal with the issues to do with fuel poverty and the high bills that people are being forced to pay because of the world energy markets.

Mr. David Anderson (Blaydon) (Lab) *rose—*

Mr. Elliot Morley (Scunthorpe) (Lab) *rose—*

Mr. O'Brien: I shall give way to my hon. Friend the Member for Blaydon (Mr. Anderson) and then to my right hon. Friend the Member for Scunthorpe (Mr. Morley). I am conscious that time is limited in this debate, and I therefore do not want to give way too often as other Members will want to speak.

Mr. Anderson: May I raise with the Minister the reality of the increase of up to 80 per cent. in the cost of domestic coal? A constituent of mine is now paying £9 a fortnight more than he was this time last year. In the debate about the cost of oil, electricity and gas, we should not forget that a lot of people in this country still rely on domestic coal.

Mr. O'Brien: Domestic coal will certainly play a role in a diverse energy supply, and we want to ensure that it does.

Mr. Morley: I welcome my hon. and learned Friend to his new post. I want to pick up on the point made by my hon. Friend the Member for Barnsley, West and Penistone (Mr. Clapham) during the statement about the windfall profits from the carbon credits to the generators. They are not exposed to international competition. That money basically goes straight on to their balance sheet. Is the Minister satisfied that there is proper scrutiny of where that money is being used and of whether it could be used to help the fuel-poor?

Mr. O'Brien: We must ensure that we have the policy right. We are ensuring that that is so, but we also have to ensure that we balance the way in which the policy is developed over the coming months. We want to ensure long-term investment, too, and it is important to get substantial investment from companies in new infrastructure. Those companies will say that they want to make a good return on that investment. We will have to strike the right balance, but my right hon. Friend is right to suggest that we must always be aware that that balance needs to be struck with a great deal of care, bearing in mind the fuel-poor.

I now wish to make progress. There is a limit on the length of my contribution, as I am sure those who want to contribute to the debate will recognise.

My right hon. Friend the Prime Minister set out a new package of proposals for dealing with fuel poverty, and this debate is our first opportunity to outline what it contains. The new measures aim to reduce the amount of energy that households need, not just this winter but in the long term. They could help an extra 2 million households improve insulation and efficiency, and save them up to £300 a year in fuel bills. An additional £560 million obligation on energy companies is to be provided under the supplier's carbon emissions reductions targets to fund home improvements such as loft and cavity wall insulation. Eleven million elderly and low-income households will qualify for those measures, at no extra cost to themselves.

This is about not just individuals, but communities. Gas and electricity suppliers and electricity generators will also contribute a further £350 million to a new community energy savings programme. That will support new and existing partnerships between local authorities, voluntary bodies and energy suppliers, and will provide intensive help to some of our most deprived communities on a house-by-house, street-by-street basis.

Mr. David Drew (Stroud) (Lab/Co-op): Will my hon. and learned Friend give way?

Mr. O'Brien: Given the time constraints, I regret to say that I will not be able to.

Experience with existing schemes such as Warm Front suggests that a locally based approach, which offers householders face-to-face contact and advice, maximises the take-up of help available and addresses the problem of reaching every part of the community. As well as helping people to save energy this winter and in the long term, the measures announced will help households keep their bills affordable. This time last year, there were 365,000 customers on social tariffs; today, the energy companies tell me that there are more than 670,000, around three quarters of whom are guaranteed that there will be no price rise this winter.

Earlier in the year, the Pensions Bill that I piloted through the House was amended to allow data to be shared with energy suppliers to help them to identify those poorer pensioners at risk of fuel poverty. When it is passed, the legislation will help suppliers to ensure that some of the most vulnerable customers have access to social tariffs and other measures.

The measures that we have taken help the most vulnerable people pay their bills. We have trebled cold weather payments this winter, raising them from £8.50 to £25 a week. Homes that benefit from the community programme will also receive benefit entitlement assessments, which can add significant sums to the incomes of vulnerable households. The average annual increase in income where a household is found to be under-claiming is around £1,400, and of course we have increased winter fuel payments for pensioners over 60 from £200 to £250, and for those over 80 from £300 to £400.

When I began, I said that the global context shapes our choices. When global prices rise, our circumstances and choices at home change. Thankfully, there has been a reduction in the oil price in recent weeks, and we want that to feed through into gas and electricity prices. The fact that gas companies buy ahead from their suppliers means that there will be a lag of about six months. However, given the movements of gas wholesale prices in a better direction, we told the gas companies at the meeting we held yesterday that we want them to give some indication about what they are going to do. We want the benefits of price changes to feed through to individuals who have to pay their bills, and as a boost to the economy as whole.

Today, the Government have made it clear that the 80 per cent. target shows our commitment to ensuring that we give a high priority to dealing with climate change and to ensuring that we have an affordable energy supply. That is our commitment, and it is one that we will deliver on.

1.44 pm

Charles Hendry (Wealden) (Con): May I begin by welcoming the Minister warmly to his position? Perhaps it would be more appropriate to welcome him back, as he held the post for a few months four years ago. I also

welcome his new ministerial colleagues, and I think that there will be some interesting discussions among that team. The Under-Secretary of State will be required to consent to new nuclear power stations and to the proposed facility at Kingsnorth, and that will be a fascinating process to watch.

May I also use today's greetings as an opportunity to pay a warm tribute to the right hon. Member for Barrow and Furness (Mr. Hutton), who is now Secretary of State for Defence but who used to have responsibility for these matters when he was Secretary of State for Department for Business, Enterprise and Regulatory Reform, and to his former Minister of State, the hon. Member for Croydon, North (Malcolm Wicks)? Both really had begun to come to grips with the size of the energy challenge that we face. They did not do enough, but they had begun to understand the problem.

We wish the Minister of State well in this important role, but we also have to recognise that people outside are frustrated at the number of changes that have taken place. The hon. and learned Gentleman is the 10th energy Minister in 11 years, and he was also the sixth—just as his predecessor was the seventh and the ninth. That shows this Government have a true commitment to recycling, but many people are frustrated about the changes that have taken place.

There is also no doubt that this is a very challenging time for the Minister to take up his post. There is massive pain in households as fuel bills go up, and there is a real threat that companies may close as a result of the lack of competitiveness in our electricity pricing. In November, the forward price for electricity for business is one third higher in this country than it will be in France. We face an energy gap in less than a decade, when the lights may go out, and the current financial pressure makes the targets on renewables even more challenging.

However, the charge against the Government is that they have made problems worse than they needed to be by failing to make decisions at the right time, and sometimes failing to make them at all. The Government have received warnings since the spring about fuel poverty, which was completely inevitable given the huge price rises coming through. Gas prices have risen by 50 per cent. since January, and electricity by 30 per cent., but the Government did not act until September. Of course we all agree that energy efficiency is vital, but it is not possible for enough to be done before winter starts, even though the warning signs were there.

That will have catastrophic consequences for the Government's fuel poverty targets. They want to remove all vulnerable households from fuel poverty by 2010, and that is a legally binding target, but the numbers are shooting up in the wrong direction. We need clarity from them about whether they think that those targets can still be met.

Mr. David Winnick (Walsall, North) (Lab): The winter fuel allowance has been of considerable help since the Government have been in office. If the Conservative party is elected at the next general election, will the hon. Gentleman say that the allowance will be retained?

Charles Hendry: We shall make our financial commitments clearer as we get closer to the election. We have no idea whether the shortfall in public spending this year will be the £40 billion that was predicted, or the £100 billion that is now expected. We cannot begin to make spending predictions at this stage. The other thing to recognise is that this year's increase is for one winter only and not a lasting commitment.

Mr. Mike O'Brien: The hon. Gentleman has attempted to lambast the Government for failing to make decisions. Will he make a decision about winter fuel payments, as many pensioners will be very disturbed by what he has just said? While he is at it, what is the Conservatives' attitude to nuclear power? Does he still agree with his party leader that wind turbines are merely bird blenders?

Charles Hendry: The Minister could have addressed some of those issues in his own contribution. On winter fuel payments, we will make our position on financial matters clear as we move towards the election. That is not likely to happen for 18 months, and we expect to be able to make our spending commitments clear at that time. However, given that we have no idea of the extent of the mess that this Government will leave us with, we cannot give that clarity at the moment.

I refer the Minister to the comments made by the previous Secretary of State with responsibility for nuclear power. He thanked the Conservative party for the constructive way in which we engaged with him and his officials to try to provide a secure platform for nuclear investors. We have said that we will work with the Government to provide security and a stable investment scenario. If the Minister had talked to his officials before making those comments in the House, he would have been better informed.

However, the Government have rejected some of the proposals that would have helped them to deal better with the problem of fuel poverty. In the Energy Bill that is going through Parliament, we proposed that the Secretary of State should have powers to set social tariffs. That would mean that he would not have to consult, let Ofgem consult and then consult again: the necessary powers could have been included on the face of the Bill, so that he would be able to act if he decided that that was necessary. Without those powers, he will need to have primary legislation before he can act, and this winter will be over before he has that ability. It is a shame that our proposals were not accepted.

The Government have abolished Energywatch and now, under pressure from other Governments, there are moves afoot to allow the European Commission to slip off the hook of tackling liberalisation.

At the heart of this debate about energy providers is the issue of energy security. How can we keep the lights on in 2014-15, by which time most of our nuclear power stations and one third of our coal-powered stations will be out of commission? The Government have failed to establish a framework to bring forward investment in new energy generating capacities. As a result, we are seeing higher prices in this country, especially for business users. The prices are now above the European average.

Critically, the Government have also failed to address the issue of gas storage. We have 14 days of gas storage in this country compared with 100 in Germany and 120 in France. In the cold period at the end of 2006, when we desperately needed gas to be imported through the interconnector with France, France was unable to provide it because it had legal requirements to keep gas

[Charles Hendry]

storage facilities topped up. We need a real determination from the Government to push forward gas storage. That will be fundamental to our energy security.

In spite of what the Minister says, the Government have been timid on the issue of carbon capture and storage. Even when they were telling us that the economy was doing well and the coffers were flush, they did not invest in more than one pilot project. They said that they would fund three projects from the receipts from the EU emissions trading scheme. [*Interruption.*] The Secretary of State intervenes from a sedentary position. However, two potential technologies have been ruled out. Far from our being in a position to export expertise to China, China has opened its pilot project while we are still deciding who might win ours and it is determined to export its technology to us. We could have shown true global leadership and established a tremendous lead in a vital new sector, but the Government have allowed the opportunity to slip away.

The Government should also be looking to show leadership by following our approach to emissions performance standards. We looked at the matter carefully. Initially, we had a concern about it; we have been persuaded that it is the right way forward. We need to be clear that it is not an anti-coal policy, but it is crucial for future investment that a clear framework be established.

Mr. Eric Illsley (Barnsley, Central) (Lab): The hon. Gentleman talks about carbon capture and storage. There are other methods of dealing with carbon. One is coal gasification and the other is burning coal in integrated combined cycles. All the prototype technology for our clean fluidised bed coal gasification programmes was abolished by the Conservative Government in 1988.

Charles Hendry: The hon. Gentleman makes a point about what happened many years ago, but we are now—as the Secretary of State said—in a very different set of circumstances. We have seen a significant move to gas, which has enabled us to meet our Kyoto commitments. We have not seen the necessary investment in new plant, and we have to look again at how we can give new life to coal. We have not reluctantly accepted this policy; we are passionately committed to delivering it because we think that coal has an important role to play in the future.

The other aspect of the debate is low-carbon energy. While the Government have talked the talk in this area, they have not walked the walk. We have seen lots of targets, but we have not seen enough real action. The Government set up the marine renewables deployment fund with £15 million, but not one penny has been spent. They should be helping to market emerging technologies in which we can lead the way rather than setting rules that companies cannot meet.

The Government consented to 33 GW of offshore wind, but they did not consult anyone in the industry about the feasibility of building that by 2020. The wind industry says that it cannot do more than 20 GW, so the Government have set a target that the industry does not believe it can deliver.

In other areas such as smart meters we have offered the Government a way forward. Smart metering is a crucial element in encouraging microgeneration and tackling fuel poverty. It could be achieved in a decade—but not if the Government do not accept the framework. There has been some movement in the Energy Bill, but there is complete support in industry and among many politicians and environment and consumer groups for setting a timescale, and I hope that the Minister will go away and reflect on whether that could still be built into this debate.

We have worked with the Minister's colleagues and others outside the House to push forward the case for feed-in tariffs for microgeneration. We are glad that that has been accepted now. We want to see the detail of how it will be done. It could have been done months ago when there was clear agreement across the House. We could have been making much more progress than we have made up to now.

We have seen a Government obsessed by targets. They have a target of 10 per cent. of electricity from renewables by 2010, of 20 per cent. of electricity from renewables by 2020, 15 per cent. of our energy to come from renewables by 2020, all homes to be insulated by 2020, abolition of fuel poverty by 2016—interestingly, 22 November 2016; we do not know if it is the morning or the afternoon, but we are told that it will happen that day for certain—targets to reduce carbon emissions and other targets. We need action rather than targets from the Government. People want delivery. We want to move away from the endless process of consultation. The conclusion of the smart meter consultation was that there should be three more consultation exercises. We have not had decisions. The Government have shied away when decisions have been essential.

We are totally with the Government about the urgency of issues that need to be tackled, but we shall be able to deliver on the challenge of tackling fuel poverty, moving to cleaner energy and ensuring energy security only if the Government make real decisions and stop simply talking the language of what they would like to achieve.

1.55 pm

Mr. Michael Clapham (Barnsley, West and Penistone) (Lab): I welcome the establishment of a new Department. It is long overdue. We had an energy Department, as you will be aware, Mr. Deputy Speaker, up to 1992. Since then, energy has been part of the integrated remit of the DTI. That has taken the focus away from some of the real issues, so it is good that we now have a Department of Energy and Climate Change.

I want to concentrate on two things. The first is the increase in energy prices, especially gas prices and the knock-on effect on electricity prices. There are now just six energy companies in the market. There is an oligopoly. There are more inputs into the gas market, but the peculiarity of the gas market has meant that we have seen quite high gas prices. They have increased by 30 per cent. in the past year and electricity prices have increased by 50 per cent. That has had an enormous impact on domestic consumers and industry.

When the Business, Enterprise and Regulatory Reform Committee took evidence from the Energy Intensive Users Group in spring, we were told that gas prices in France and Germany were 30 per cent. below those in the United Kingdom. I understand that across Europe electricity prices are 5 per cent. below UK prices. That has put British industry in a difficult position. Its competitiveness was challenged by those prices.

When we look at why energy prices have increased, we see the indexation of gas prices to oil prices. The Select Committee took evidence from Energywatch. We were told by the chief executive that it was an irrational indexation and that there were other ways in which we might move. I accept that it would require an international endeavour, but I urge the Minister to consider whether we could embark on such an endeavour to separate gas prices from oil prices. The increase in gas prices has caused great hardship across the economy. As a result of the linkage between gas prices and electricity prices, high gas prices have driven up electricity prices. We have 33 per cent. of our electricity generated by gas and because those stations are the last to be called on—the marginal stations—they set the electricity price for the whole market. High gas prices mean high electricity prices, because the marginal set that is called on is gas-fired. That causes enormous problems.

The hon. Member for Wealden (Charles Hendry) mentioned price increases and when he was chided by my hon. Friend the Member for Barnsley, Central (Mr. Illsley) he said that we cannot look back and that we should not dwell on the past. However, the two factors that had an impact on the energy market came about as long ago as 1989. The Conservative Government allowed the use of gas in power stations. Until then, the use of gas in power stations had been restricted. Using gas in power stations has burned an enormous amount of gas, to the extent that this year—2008-09—the UK may be importing 40 per cent. of the gas we use. It is estimated that the figure will go up and that by 2018 the UK will be dependent on imports for 80 per cent. of its gas.

The other decision that had a big impact on the energy market was that of the Conservative Government to abandon all the research that had been done on clean coal technology; they demolished the research unit at Grimethorpe colliery. That removed our lead and gave it to other countries, such as Scandinavia. China, too, is making a lot of progress on that technology. A number of factors have an impact on the price of gas. If we are to deal with them meaningfully, it will require international endeavour.

The big six are in a much more influential position in respect of electricity, with an enormous say on electricity prices in the market. That does not mean that they sit down in smoke-filled rooms and come to an agreement on the price, but because there is an oligopoly of only six major electricity producers the price signals from one to the other are easily picked up and consequently they follow each other. Over the past year, all the energy companies have increased prices. To be fair, Scottish and Southern Energy did not increase its prices in April; it waited until the end of the winter. Nevertheless, all the companies have increased their prices, by 50 per cent. and 30 per cent. for gas and electricity—and that has had an enormous impact.

What can we do to deal with electricity prices? Is there a way to reduce them? The price of oil has already come down from $146 a barrel in July to $81 a barrel this week. That means that the gas price has also started to fall, which is likely to bring down inflation from the 5.2 per cent. announced this week. At the same time, we have to be aware that there will be a fall in economic activity in the UK that will also have an impact. Although on the one hand, energy prices are beginning to fall, on the other we shall have to deal with a difficult situation with more people out of work as the economy begins to slow.

The Government can do more to deal with the situation, especially with regard to the EU emissions trading scheme, where the energy companies are set to make an enormous amount of money. They have been given free permits and Ofgem reckons that the price of carbon will increase by £9 per tonne, so taking that figure right across the industry, the companies are likely to make £9 billion over phase 2 of the European emissions trading scheme—from January 2008 until 2012. There is an opportunity to consider whether there is room for a windfall tax on that windfall profit. An enormous amount of profit will be made, so there is an opportunity and the Minister may already be considering the possibility of a windfall tax. We could use that money to start to tackle the big issue of fuel poverty.

The hon. Member for Wealden asked how many people were already in fuel poverty as a result of the price increases. We know that for every 10 per cent. increase in energy prices, 400,000 households are put into fuel poverty. When we consider the gas price increase of 50 per cent. over the past year, we realise that we could be talking about 2 million households being put back into fuel poverty. The energy companies have a social responsibility. If they do not make money available to deal with fuel poverty from the profits they are making, the Minister must seriously think in terms of a windfall tax.

There is another aspect that we must look at carefully. The one thing that we could not do in the BERR Committee when we looked at energy prices was determine where the profit was coming from. On the one hand, the wholesale gas price goes up and on the other, because 30-odd per cent. of electricity is generated from gas and gas prices increase in relation to oil, the price of electricity also brings a profit. There are large profits in the wholesale area of gas usage and the Minister may want Ofgem to concentrate on that in its regulation of the energy industry. If that can be done, it could provide another opportunity to work with the energy industry to tackle fuel poverty.

All in all, a number of things can be done. We need transparency in the forward gas market, which is not there at present. Some gas companies, in previous acquisitions, bought companies that had long-term gas contracts, and the Minister may want to consider whether those contracts are anti-competitive and what we might do to loosen them up so that they are conducive to more competition. That certainly needs to be looked at.

We should also look at the enormous amount of profit that will come from phase 2 of the European emissions trading scheme. In the Minister's previous role, he was close to what was being done on clean coal technology and carbon capture and storage, but there has been such delay. I understand that this year we have listed four companies for further negotiation, but we are not likely to choose one for a contract until next autumn. That is too long. We need to expedite carbon capture and storage. That is not just to deal with coal-fired stations, although that is an important aspect; a gas-fired station produces about half the CO_2 emissions of a coal-fired station, so we need to ensure that we use carbon capture and storage on gas-fired stations as well.

Mr. Illsley: My hon. Friend has hit on an important point. Carbon capture and storage could be some time away. The demonstration plant is still only at competition stage and a decision has not yet been made. There is a technology we could use in the interim, which has been around for a long time and can be retro-fitted—the system of removing carbon pre-combustion. In the old days when we had town gas and coke works, there was a simple method for removing carbon from coal before it was burnt. I hope to host a reception on 3 November, to which my hon. Friend will be invited, which will hear about a technology that does exactly that. We could use coal gasification or clean coal technology in advance of carbon capture and storage.

Mr. Clapham: I am grateful to my hon. Friend for that intervention. I know that the Minister heard what my hon. Friend said and may well be at the reception that he is hosting.

There are some important measures that we need to take pretty speedily. Carbon capture and storage is one, because it would allow us to deal with the crisis that will arise between 2012 and 2016 with the simultaneous closure of some of the coal-fired stations and nuclear stations. We therefore need a technology that we can use to reduce emissions, because if the gap is filled by gas-fired stations, it will not reduce CO_2 emissions. Those emissions will increase, and we could eventually have gas-fired stations, nuclear stations and renewable input, and yet produce a greater amount of emissions because of our emphasis on gas-fired stations. Given that we are likely to be importing 80 per cent. of the gas that we use in the UK by 2018, the Minister might consider putting a cap on the number of gas-fired stations that we will allow in the energy economy.

Dr. Alan Whitehead (Southampton, Test) (Lab) *rose—*

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. Has the hon. Member for Barnsley, West and Penistone (Mr. Clapham) finished his speech, or is he giving way?

Mr. Clapham: I was giving way, Mr. Deputy Speaker.

Dr. Whitehead: I thank my hon. Friend for giving way. I wonder whether he wishes to add the words "combined heat and power" to his thoughts on gas-fired power stations. I am thinking not just of the need to make any new gas-fired power station that should come on stream CHP-ready, but of the need to provide a heat network to deliver the captured heat from such a gas-fired power station, which would double its efficiency.

Mr. Clapham: I am grateful for that intervention. It is important that we ensure that we have CHP units, and using CHP with the gas-fired stations would make them really efficient—much more so than at present.

2.12 pm

Steve Webb (Northavon) (LD): I shall address my brief remarks to the title of the debate, "Energy providers", and move from the very micro to the macro.

I want to draw the Minister's attention first to an issue that was drawn to my attention by a local resident, who received a letter at the start of October from her energy company, telling her that at the end of August it had raised her prices. I queried that with the company, and it told me that that was perfectly legitimate, because under Ofgem rules, energy companies have six weeks to tell customers that they have put their prices up.

It is very hard to think of any other form of trade in which one continues to consume a product for six weeks, only to learn from the provider that it was charging more six weeks ago. Will the Minister look into that? It worries me that many people who are getting estimated bills, or who are paying by direct debit at a level that is below their current consumption, will face really big hikes in their monthly outgoings, and if they are not told until six weeks after, the market will not work, because they will not start shopping around for a better price if they do not know that the price has gone up until six weeks afterwards.

Secondly, I want to explain one of my whacky ideas, which will become received wisdom very soon. As the new Minister has not had a chance to hear it, I want to raise with him the idea of what I call the super-smart meter. The Secretary of State said a few minutes ago that many people who switch do not actually switch to a better deal. We also know that the poor tend not to switch—and that they tend not to have internet access. Will the Minister ensure that when Ofgem specifies what a smart meter looks like, one of the functionalities it puts into it is that the meter does the switching for the consumer?

The meter needs to be able to communicate with the outside world in order to be a smart meter. Why should it not go to a price comparison site, on behalf of the consumer, knowing the consumer's pattern of consumption of gas and electricity or whatever, and shop around for the best price? Then we would not have the problem that the Secretary of State mentioned—that the consumer swaps supplier and then a week or a month later things have changed and they ought to swap again. The meter could monitor the market on behalf of the punter. It could be possible to lodge one's bank details with a central clearing house, so that it was not necessary to have one's bank details with 100 different companies. Then there would be real competition in the market—almost the economist's picture of perfect competition, because the meter would do the switching. I hope that the Minister will pursue that idea.

My right hon. Friend the Member for Gordon (Malcolm Bruce) mentioned earlier the issue of people who are not on mains gas. That is a big issue. Funnily enough, it does not occur only in rural areas; in a surprisingly large number of places, people just are not on mains gas. When we bought the house that we live in, 15 years ago, it did not have mains gas, and all the houses along the row had oil tanks in the garden. I have not yet heard what we are going to do about fuel poverty for these people. The big six do not provide the non-electricity power; they do not provide liquefied petroleum gas, by and large, or heating oil. I think that the Secretary of State hopes that the big six would address that group, but by and large they are not selling to that group, apart from electricity.

Malcolm Bruce (Gordon) (LD): Can my hon. Friend appreciate the insult that is added to the injury when consumers receive through the door invitations from a gas company that does not supply them to opt for dual fuel? Does he find it interesting that since the privatisation

of the gas industry, the extension of the gas network seems to have ground to a halt? There seems to be no incentive to give people gas.

Steve Webb: Access is a very real issue, as my right hon. Friend says, and of course the absence of dual-fuel tariffs for these people is an extra penalty. Not only do they pay a lot when the price of heating oil goes up, but they do not have access to dual-fuel tariffs either. The regulator could do something about that.

Mr. Drew: Does the hon. Gentleman accept that there is a real problem with the Warm Front programme? Many of the people who are off the mains gas network are living in older property, and the current cap is causing them enormous problems. They will almost certainly have to pay more than they will get in grant, and something needs to be done desperately quickly about that.

Steve Webb: The hon. Gentleman makes an important point. I will return to the issue of home insulation programmes.

I shall stay on the issue of fuel poverty, and the figures that I referred to earlier this afternoon. I asked the Library to look at single pensioners, to rank them by quintile from the poorest to the richest, and to look at what they spend on fuel and what their actual incomes are. The Library projection, on figures provided by the Office for National Statistics, was that not just the poorest quintile were on average in fuel poverty this autumn, but the second, third and fourth poorest quintiles. All quintile groups except the top fifth were on average in fuel poverty this autumn. The scale and the urgency of the problem are absolutely incredible.

The Minister said that two thirds of a million customers were on social tariffs. That is great for the two thirds of a million, but that must mean that if fuel poverty is running at well over 3 million, and possibly at 4 million or more, the vast majority of people in fuel poverty are not getting social tariffs. It is not just that the glass is half full or half empty; it is about a sixth full. That is the scale of the problem. So how do we get social tariffs through to the fuel-poor on a much greater scale?

I want to address the issue of the companies. The Secretary of State has had a meeting with them and that is great; his predecessor had meetings, and the Prime Minister has had meetings, but we are not getting out of them what is needed. The Secretary of State said—I believe he did so in *The Guardian* this morning—that he hoped that the companies would not pass on the cost of the home insulation scheme to consumers, but he can hope all he likes; the companies can do it, and the consumer can do nothing.

Surely, Ofgem should be stopping the companies passing on the costs of these social measures. If it is a duty on the companies, the customers should not be forced to pay. The shareholders should be forced to pay, because as was said in a previous contribution, the generators—not the distribution companies, although obviously there are some pretty close links—have had this huge windfall, according to Ofgem. In my view, one does not have a windfall tax that takes the money off them and then spends it; one places a duty on them to do the things that one wants them to do. In our view, we go very much further down the track than the Secretary of State said in terms of neighbourhood energy efficiency.

The problem with the carbon emissions reduction target is that a road with six houses can be served by the six different companies, and six different men in six different vans can go down to help that company achieve its CERT obligation. As the hon. Member for Stroud (Mr. Drew) said, there are great variations in the types of houses and in different areas. We need a neighbourhood-based approach on a massive scale. The problem with Warm Front is that it adopts a piecemeal approach, although it has done good work. Local authorities know their neighbourhood. The answer will be different in Stroud and in South Gloucestershire, for example. We need substantial money from the supply companies—a windfall duty on them—to deliver systematic energy efficiency. Yes, as the Minister said, they can provide benefit advice too—if someone is going to knock on those doors, they might as well ask that set of questions as well—but I think there is a paucity of ambition here. Literally millions of pensioners are affected, and I would mention, too, disabled people below pension age who do not qualify for the winter fuel payment but who may face extreme heating bills that they have no choice but to incur.

There is a serious worry this winter, particularly for people on pre-payment meters, about self-disconnection. We do not see those people in the headline figures, and I hope that the Minister will ask the energy companies how much that happens. People on pre-payment meters simply do not have the money to top them up, and they just switch off the power. That does not feature in disconnection statistics, because no one disconnected them—they disconnected themselves. That could well be a hidden disconnection scandal that gets worse this winter. There are some serious issues for consumers, as the problem is imminent. Further consultation on possible legislation simply does not meet the scale and urgency of that problem.

Several hon. Members *rose—*

Mr. Deputy Speaker: A time limit was not imposed on Back Benchers' speeches, and I see that two more hon. Members wish to take part in the debate. There will be slightly less than 40 minutes left, if we allow the Minister two or three minutes for his winding-up speech, so perhaps hon. Members will keep an eye on the clock. I call Dr. Alan Whitehead.

2.20 pm

Dr. Alan Whitehead (Southampton, Test) (Lab): In welcoming my hon. and learned Friend the Member for North Warwickshire (Mr. O'Brien) to his new post as energy Minister, I sympathise with the dilemma that he faces, particularly in the light of the statement immediately before this debate about energy providers and how they will provide our energy in future, as well as the compatibility of those choices with our goals and the need to make a positive contribution and keep the lights on.

That process has been likened to attempting to change at least one wheel on a car while steering it along the road and making sure that it does not go into a ditch. It is a serious issue, and my hon. and learned Friend has mentioned the high investment required in the energy economy over the next few years to keep the lights on and to move our energy supply in a different direction. We have to replace 40 per cent. of our generating capacity over the next 15 years, as it is not just coal-fired

[Dr. Alan Whitehead]

power stations that are being decommissioned under the large plant directive but nuclear power stations and, indeed, older power plants, which are being retired on the grounds of age.

Furthermore, we have to look fundamentally at the question of wholesale renewal of large sections of the national grid, and its ability to supply energy from power stations. In particular, as we deploy new forms of power generation, such as large-scale renewables, there will be a growing queue for connection as the grid runs into problems when dealing with different connections for new forms of energy and continues to try to provide the wherewithal to transfer energy from the north to the south and to achieve a fair distribution of the products of those power stations.

We have heard mention of smart meters, which are not just a good idea for the future but a long overdue investment. There is still a clockwork economy in metering in an era of computers and internet communication. Metering in the UK is not fit for purpose, and it does not fulfil the requirements of the energy supply.

David Taylor (North-West Leicestershire) (Lab/Co-op): A moment or two ago, we heard the Liberal Democrats' suggestion for an upgrade to smart meters that would allow meters to select a tariff. Does my hon. Friend, like me, think that that suggests computers that track shares in stock exchanges, which then cause prices to plummet? The logic would be that everyone on such smart meters would switch to a cheaper supplier, so there would be real instability.

Dr. Whitehead: The hon. Member for Northavon (Steve Webb) and I have discussed his interesting proposal for super-smart meters, but I agree with my hon. Friend the Member for North-West Leicestershire (David Taylor) that the danger arises if one applies the prisoner's dilemma theory to that bright idea. It may well be the case that all the meters would switch to a single supply at the same time or, alternatively, there would be a constant, chaotic switching, because perfect information about a market would be available. *[Interruption.]* Indeed, markets operate only on the basis of imperfect information, as the hon. Member for Northavon knows from his studies, so there would be a problem.

I would prefer to characterise meters as smart, smarter, and super-smart according to what goes into them and what they can do. It is not just a question of giving a real-time reading, so that someone's energy supply is under their control to a far greater extent. People should be able to read the meter by getting it to deliver a signal either via computer or to a remote reading facility, so that they are not waiting at home all day for someone to come and read a clockwork meter at 3.30 pm, when they said that they would do so at 9 am. It is a question, too, of the extent to which meters are two-way, incorporating energy generation as well as energy supply, and can do things such as responding to dynamic demand in the household—switching off devices when they are not needed—thus reducing the cost of supply.

When we make decisions about smart meters—it is urgent that we do so—we must ensure that those meters are rolled out in the best possible way. We need some form of area franchise, rather than each company looking after their own meters. It is important that we get smart meters right, otherwise we will simply install a new generation of clockwork meters to replace the old generation. Given the radical change in the way in which energy will be supplied in future, it is essential that meters are up to the task of making sure that the different form of supply can be properly mediated by householders.

We have to make those changes, but the need to reinvest in our energy economy in a substantial way poses a dilemma. Unless one suggests—I do not—that all the energy supply companies should be nationalised immediately, it is extremely likely that that investment in all those different forms will largely be down to the energy companies, and it is essential that they can make that investment. It is important, too, to place that new investment in the context of the long-term prospect of high energy prices, regardless of the volatility of the market.

Under those circumstances, I wonder whether the idea of a windfall tax that simply gives people money to become competitors in getting expensive energy supplies and to give the money back to energy companies so that they can provide them with more expensive energy supplies is necessarily the smartest way to go forward. I suggest that when we are looking at the renewal of our capacity, we should approach it in different ways. Renewing our power plants will be achieved by means of different devices. We will have to introduce a substantial amount of renewables to replace existing power stations. In traditional power stations, we will have to introduce different ways of ensuring that their output is efficiently captured and that the emissions are properly controlled. Carbon capture and sequestration means combined heat and power and measures to ensure that the use of the fuel is efficiently discharged for the production of electricity.

With reference to the grid, I am attracted by the elision in Chinese of the words "danger" and "opportunity". Will we say to energy suppliers, "We ought to be reorganising and restructuring the grid, but we will reorganise it in the same way as it was previously organised," when we know that we are moving into an energy economy of distributive energy, with households producing electricity and that going into the grid in ways for which the grid was fundamentally not designed? The grid is essentially a spine system going down the country, linking very large power stations with what one might regard as dumb terminal users.

One is reminded of the statement that the chief executive officer of IBM made in the late 1940s, when he was asked how many computers he thought the world would need. He said about six, on the basis that there would huge computers with long terminals with dumb ends on them. That is not how the energy economy will work over future decades. The grid must be resupplied, so that it works for renewables and decentralised energy. Should it go on land or sea? Can we envisage the connection of offshore wind with this country and interconnections with other countries, serving also as a grid device for distributing energy round the country? Can we make an opportunity of the dangers in such a way that the companies supplying energy reinvest in the

grid, in power stations and in meters to make them fit for purpose and for the way in which the energy economy will run in future?

That brings me to the way in which we should approach those energy companies. In the new energy economy, with the sort of goals that we have heard about today, it is absurd that we should continue to envisage energy suppliers being required in future to provide each and every one of us with as much energy as they can at the highest price they can, and that that is how they will make their money.

Yes, of course energy companies must make money for the tasks of investment and supplying energy in future, but a far better paradigm is to develop ways for them to cease to be energy supply companies and to become energy service companies engaged in contractual arrangements with commercial or domestic customers. The energy supply companies would invest, along with the customer, in saving energy, installing energy production and energy-efficient devices, making sure that the energy provided is the smallest amount possible and that the proceeds that arise as a result of that contract saving money are split between the householder or company and the energy supply organisation.

The opportunity and the danger come together in a new paradigm for how we deal with our energy supply companies, first, in the interests of arresting climate change; secondly, to the benefit of our energy security by ensuring that we use less energy and use it far more efficiently; and thirdly, by re-equipping our energy infrastructure to deal with the problems of the 21st century, rather than the 19th century, which it appears at present to be designed to do.

ROYAL ASSENT

Mr. Deputy Speaker (Sir Michael Lord): I have to notify the House, in accordance with the Royal Assent Act 1967, that the Queen has signified her Royal Assent to the following Acts:

Appropriation (No. 3) Act 2008

Health and Safety (Offences) Act 2008

Energy Providers

Question again proposed, That this House has considered the matter of energy providers.

2.34 pm

Mr. Philip Hollobone (Kettering) (Con): May I invite the Minister to visit Kettering, which faces several issues relating to energy providers? Local residents would appreciate the chance to hear his views, and he might learn about some developments that are pertinent to his portfolio. The first issue is an innovative scheme that Kettering borough council is undertaking with the energy provider E.ON UK to encourage people to reduce their energy consumption, and the second concerns the location of wind farms.

Kettering borough council, of which I am pleased to be a member, and E.ON have launched an innovative new pilot scheme that offers residents in the borough the chance to earn monetary rewards, if they reduce the amount of energy that they use over the year. The scheme basically gives instant accurate information on energy consumption, to help consumers reduce the energy that they use in their homes. The scheme involves installing dual-fuel smart meters in the homes of around 500 existing E.ON customers in the borough, enabling them proactively to monitor their home energy use and adjust their energy consumption accordingly. The scheme starts next month and will run for 12 months. Should the pilot be successful, one of the leading housing developers in the area is considering using the technology for new developments, as housing expansion in the region takes off over the next 10 to 15 years, to make Kettering borough and north Northamptonshire an exemplar low-carbon region.

Through the use of such smart meters, households will be better able to understand the energy consumption of the different products in their homes. Customers who sign up for the trial will have their homes fitted with the new smart metering technology for free. They will also be provided with a smart energy monitor, which communicates wirelessly with the meter and enables them to see their energy consumption instantaneously. The technology will also provide access to a new online smart energy tracker system, whereby customers will be able to monitor their progress against their energy saving goal. The incentive is that if customers reduce their energy use by 5 per cent., they will receive £50 from the borough council, and if they achieve a 10 per cent. saving, they will receive £100. Customers will also benefit from lower energy bills, because their consumption will be less.

Let me turn to wind farms. Residents in Kettering are supportive of renewable energy. We have a wonderful wind farm at a place called Burton Wold. There are 10 turbines, and the local authority has given permission to increase that to 17. Indeed, permission may be given in future to expand to 24 turbines. The wind farm currently supplies the equivalent of 10,000 households out of the 36,000 households in the borough, although that figure will increase as the number of turbines increases. The wind farm is not universally popular, but it is fair to say that the balance of opinion locally is strongly supportive of the Burton Wold wind farm, especially in Burton Latimer. Local schoolchildren in

[Mr. Philip Hollobone]

the town have named each of the turbines, and there is a substantial grant each year from the wind farm company to the town council to help with local community projects.

However, local residents in my constituency, which includes the borough of Kettering and one third of Daventry district, do not want to see lots of wind farms being built all over the local countryside. Five planning applications are likely to be made for additional wind farms, at Rushton, Great Cransley, Harrington, Kelmarsh and Brixworth. Some of those applications are for wind farms in extremely scenic parts of the local countryside. Kettering borough council and Daventry district council both face a challenge in trying to balance the Government's understandable objective of increasing the number of wind farms with the strong views of local residents, who are saying, "Yes, we're supportive of renewable energy, but not in every case."

It would be reasonable for the Government to adopt a policy whereby they could tell local authorities such as Kettering borough council that if they are a champion of a wind farm that delivers demonstrable and sizeable benefits to the local community, as the Burton Wold wind farm does, they should be able to use that support to stop other wind farms from being built willy-nilly all over the countryside. That would strike a fair balance between the Government's laudable objectives of encouraging more renewable energy and reducing our dependence on foreign fuel imports, and the understandable concern of local residents, who do not want to see some of the best countryside in the middle of England, which has historic connotations, being destroyed, potentially for a long time, by some very tall structures—they are far taller than Big Ben or Nelson's column—that are likely to remain for 20 or 30 years.

2.40 pm

Siobhain McDonagh (Mitcham and Morden) (Lab): I do not propose to speak for long this afternoon, as I have secured an Adjournment debate on a similar subject tomorrow. I have called the debate on behalf of my constituents, Michelle and six-year-old Jayden, who had their gas cut off by Scottish Power in June and who have been left without cooking, heating and hot water for four and a half months. I am concerned that Michelle and Jayden's story is just the tip of the iceberg, and that thousands like them are being treated just as badly by the energy providers.

I am pleased that this has been chosen as the subject for today's topical debate, because it enables us to raise an important principle: should people like Michelle and Jayden be left in the cold when they have no chance of paying what the utility companies demand of them? I do not intend today to go into how they got into arrears, but Scottish Power has been charging them an incredibly high amount for their gas: £75 a month for a small, two-bedroomed housing association flat. That seems like a very high tariff to me. We all know that people on low incomes are rarely on the most generous tariff. This has been a cause of real concern, and the Government need to do more—in line with today's statement and the meeting with the companies yesterday—to stop the poorest being charged the most. As I am sure everyone in the Chamber today knows, pre-payment meters penalise people heavily. Ofgem says that people who use them pay £125 more than people who pay by direct debit.

However, Michelle and Jayden are in such a bad position that they actually want a pre-payment meter so that they can cook a meal, have a bath and heat their front room. But Scottish Power says no. It says that it cannot do it, and that Michelle needs to have extra pipework done in order to install a pre-payment meter, and that that is not its responsibility. Scottish Power says that it is the responsibility of another utility company, Southern Gas Networks. Southern Gas Networks says, "Fine, we'll do the work, but it will cost £350." And, after all that, Michelle is going to have to pay a CORGI-registered engineer even more to fit the meter. So, even though Michelle is in great need, she has been told that she has to pay for everything. That cannot be right. Not only are the utility companies ripping off our least affluent constituents by charging high tariffs, but they are trying to get them to pay hundreds of pounds for the privilege of having a pre-payment meter that no one here today would want, and I am told that all this is legal.

Scottish Power does not seem to be particularly bothered. Its best effort to justify its behaviour has been to tell me that it did not know that Michelle was on income support, or that Jayden was six and that he lived in the same house as his mum. It also says that it has not been able to get through to Michelle, but, to be fair to her, every time I have called her, she has answered my calls quickly and has always been prepared to provide even the most uncomfortable information. Just yesterday, Scottish Power admitted that Michelle had called it on numerous occasions, although until then, it was adamant that it did not know about her circumstances and that she had refused to return its calls. From my experience of Scottish Power, I can easily believe that it would not have asked her about her circumstances. I wonder whether the Government would consider ensuring that questions about people's circumstances were legitimately asked, and that it could be proved that they had been asked. I want the Government to do something about companies such as Scottish Power, which now knows everything about my constituents but still refuses to budge. It still wants Michelle and Jayden to pay hundreds of pounds that they clearly do not have, for a meter that none of us would ever want.

I will go into more detail in the Adjournment debate tomorrow. This practice is simply not right. It might be legal, but none of us would regard it as right to leave a family without hot water, heating or cooked food for four and a half months, and into the long-term future. Trying to charge Michelle around £500 for a new meter that she cannot afford is not right. I do hope that Ministers will listen to this debate and reflect on this story.

The utility companies spend an enormous amount on public affairs. Scottish Power is part of a company that made profits of €200 million last year. I hope that it will reflect for a moment on what it would be like to be my constituents. It is time that the utility companies learned the importance not only of talking about social responsibility but of living it.

2.44 pm

Malcolm Bruce (Gordon) (LD): This has been a useful debate and the statement we heard before it was extremely helpful. I thank the Secretary of State for acknowledging, in response to interventions from me and my hon. Friend the Member for West Aberdeenshire and Kincardine (Sir Robert Smith), that the Department will engage with the issue of domestic fuel prices. I hope that the Minister will take that forward. To reinforce that message, it is estimated that 4 million people are not on the gas mains; they are losing out because they do not have access to dual tariffs and the rebates that go with them. Many are dependent on fuel oil for their central heating, but its price has gone up hugely and it is not coming down. It is important for the Government to understand that those people simply do not have an option.

I have two further points on that. The first is about what the Government can do to ensure that fuel prices come down in a way comparable to other prices. A Library briefing shows the extent to which prices have gone up, with graphs demonstrating domestic fuel oil spiking way above all the other prices that none the less seem to get more attention. Secondly, technical innovation is important. I should perhaps declare an interest as one who, like many of my constituents, lives in a rural village and is dependent on fuel oil for central heating.

One issue of concern—it is an old one—is the gas main. Since the privatisation of gas, the extension of the gas main has almost stopped, yet a significant number of communities, villages and towns could access gas if someone were prepared to connect them to the mains. Gas companies tend to say, "Go and find us a market, and we will consider whether we will supply it". The Government could do more to encourage the extension of the gas main.

The Government could also help people to find alternative technologies—preferably renewable energy technologies, which are much more efficient. Most people do not want oil. They would much prefer a more environmentally friendly source, but they need help to find out what it is. At the moment, the technical innovation advisory services do not provide any useful answers. I really hope that the new Department will view that as something to which it could usefully devote its attention.

The role of smart metering has been discussed in a valuable way, and I note that my hon. Friend the Member for Northavon (Steve Webb) put forward an interesting idea. I understand the issues raised in that context but, after all, competition and its effectiveness are also about information. The Secretary of State clearly acknowledged that the current system does not work very well. My hon. Friend put forward an idea that has merit, but we need to work together to try to find ways of giving people the real ability to make intelligent choices that will help them get the best fuel bills and make competition work more effectively.

I shall be brief, as I want to give the Minister time to reply, but my other main point is about fuel poverty. According to NEA, the fuel poverty group, 5.2 million households now face fuel poverty. The figures on pensioners that my hon. Friend the Member for Northavon provided from a Library analysis were also pretty startling. It boils down to this: I do not know of anyone who is not concerned about their fuel bills, irrespective of whether they consider themselves fuel poor. An increasing proportion of almost every household's income is going on fuel bills.

In the long run, we need a low-carbon energy system, but we need the transition to take place in circumstances in which people are not faced with violent peaks and troughs, which make it difficult for people to adjust. I thus wholly support the objectives of the new Department and the low-carbon strategy, but I urge the Government to help the industry bring on new low-carbon technologies faster. I hope that they will be able to achieve that, as it is what many people are looking for.

I understand why the Secretary of State said that he wanted to proceed slowly, but the Government will have to look further into the law on regulation. It seems to me that if action is going to be taken to require energy companies to pass on changes to prices efficiently and to provide social tariffs, it will have to be done within the framework of new regulations for Ofgem. I do not see how the Government can achieve their objective otherwise. I also think that that would be a far better answer than windfall taxes, to which I have an inherent resistance. I believe that they damage the market in the long term, and discourage investment.

Let me issue a plea that I consider important. The Minister has been responsible for this matter in the past. I was encouraged by the Prime Minister's comments to the Liaison Committee in July, which the Minister effectively reflected today. The Government have acknowledged—somewhat late in the day, but I welcome it—that we have passed the peak of oil and gas production from the United Kingdom North sea and that it will be more difficult to get the rest of it out. However, there is a lot of it out there, potentially nearly as much as we already have. I find it very encouraging that the Government now appear to understand that sudden tax changes and treating the industry as a revenue source is not the answer. What the industry needs is the confidence to invest in the long term in a highly competitive environment in which the North sea is very expensive.

We have built up an infrastructure—especially in my part of the country, the north-east of Scotland—that is servicing the world in oil and gas and offshore technology and that is hugely valuable to the British economy in a variety of ways. I hope that the Government, through PILOT and in partnership, will ensure that we maximise our own production at the same time as moving towards a more low-carbon economy and more diversified energy provision.

Climate change issues affect the rest of the world as well, and I hope that the Government will not allow us to adopt policies in this country that penalise the poorest countries in the world. We must recognise that what we do here must be in partnership with poor countries, and that we must enable them to cope with the real challenges that they face. In the last two weeks, the World Bank has pointed out that whereas at the beginning of the year 1 billion people were living on less than $1 a day, the figure is now 1.4 billion. Those people simply cannot cope unless we treat them as partners in the enterprise.

2.51 pm

Mr. Mike O'Brien: We have had an enormously useful debate, featuring some very helpful speeches. In the time that remains, I shall try to deal with some of the helpful points that were raised, as well as some of the less helpful.

[Mr. Mike O'Brien]

My hon. Friend the Member for Barnsley, Central (Mr. Illsley) referred to the windfall tax. I share his concern about price and fuel poverty, but it should be borne in mind that we have just asked the energy companies for £910 million for the package recently announced by the Prime Minister. Admittedly the amount was to be provided over three years, but the energy companies responded, and I am not sure that this is the right time to go straight back to them and say "We now want some more". Moreover, as we all know from the headlines, there are financial issues in the world today. There are times when it is right to do this sort of thing, and times when it is not. Having said all that, I should add that matters of taxation are matters for the Chancellor.

I was struck by an interesting point raised by my hon. Friend the Member for Southampton, Test (Dr. Whitehead). He questioned the idea of taxing companies that would then increase charges, suggesting that it was difficult to ensure that the increases were not passed on to customers. In the long term, we must ensure that we secure investment from those companies, which will want to receive a fair return. We also need to create an environment in which we attract overseas investment: that will be particularly important.

In that context, I should tell the House that this morning I had a meeting at No. 10 Downing street with E.ON and Masdar, a company from the United Arab Emirates, which have joined forces on the London Array offshore wind farm project. When built, the wind farm will be the world's largest offshore scheme, and the partnership between oil-producing and oil-consuming countries will help to develop new energy sources and technologies. The sheer scale of this ground-breaking project, involving 1,000 MW makes Britain a world leader in offshore wind technology. I welcome that, and the foreign investment that will ensure that it happens.

The hon. Member for Kettering (Mr. Hollobone) kindly invited me to his constituency and put up a very good case that it was well worth a visit. I would like to see the innovation, particularly that by the local authority and E.ON. I would also be interested, having come from a portfolio that dealt with pensioners, to see how the local authority is dealing with the elderly person, perhaps over 80, who suddenly gets all this information about how much money they are spending and decides to cut down on their heating. We want to ensure that people are properly informed, but we also want to ensure that we do not create a killer. That will be important. How we deal with that in terms of smart metering is something that I want to be sure I am entirely satisfied with. However, he makes a good case and I will consider his kind invitation.

I know the speeches of the hon. Member for Northavon (Steve Webb) well from the pensions portfolio. He always comes up with a raft of good ideas, and some not so good, but they are always interesting. I was particularly struck by some of the points that he made, and I will take up some of those issues. He and the right hon. Member for Gordon (Malcolm Bruce) raised the need to get connected and rural gas contracts. I face that problem in my constituency. In the town of Kingsbury, we managed to get a group of local people, both householders and tenants of the local authority, to create a market and to get the local authority to work with them to get connections put in through Transco. We are now on a much bigger project. I went to the local authority and suggested that we do that and it has responded, albeit there has been something of a delay. However, it has managed to start the project of getting gas connected to large areas of a very rural constituency. Local authorities have a role, therefore. If we can get enough people together to create a market, it is possible to get those connections done, but I assure both Members that I will look into the matter.

On North sea oil and gas, the right hon. Member for Gordon is right. Those resources are more difficult to access but they are important none the less and we must work to see whether we can create the right environment for them.

I am concerned by the case raised by my hon. Friend the Member for Mitcham and Morden (Siobhain McDonagh). Perhaps I can deal with it in more detail on another occasion, but those who install prepayment meters under the terms of their supply licence must take into account customers' ability to pay. She might be aware of that. Customers on benefit may be able to pay by fuel direct. That may be another point that is worth canvassing.

The contribution of the hon. Member for Wealden (Charles Hendry) was extraordinary. Pensioners throughout the country will now be concerned by the position of the Conservative party in relation to winter fuel payments, and the refusal to say that there would be any winter fuel payments. That puts in grave doubt the winter fuel payments and any help with fuel payments for those who are still facing quite high fuel bills. Despite his protestations in relation to nuclear power, it is the case that his party leader said that nuclear energy was "a last resort" and that the then shadow energy Secretary, the hon. Member for Rutland and Melton (Alan Duncan), specifically denied that it had been Conservative policy to support nuclear power. He said:

> "'Last resort' wasn't really a policy. It was two words in the document which we binned months ago."

We need more clarity from the Conservative party about that. Can we also get some clarity in relation to wind turbines? Calling them wind blenders is not a policy and we need—

It being one and a half hours after the commencement of the proceedings, the motion lapsed, without Question put, pursuant to the Temporary Standing Order (Topical debates).

Primary Care

2.59 pm

The Minister of State, Department of Health (Mr. Ben Bradshaw):

I beg to move,

That this House has considered the matter of access to primary care.

Even before the NHS was born 60 years ago, Nye Bevan recognised that, for it to stay relevant and to retain public support, it had constantly to change and improve. Primary care, as the gateway to the NHS and the upholder of its values, is in the vanguard of that change. I would like to share with the House the ways in which the Government are reshaping primary care for the 21st century: how we are listening to patients and letting them lead the way; how we are pushing power down to local level to primary care trusts, giving them the freedom, finance and support to transform primary care; and how we are doing more than any previous Government to improve access to primary care so that the hard-working men and women who pay for the NHS through their taxes can benefit from it at a time and place convenient to them.

In the 11 years since this Government came to power we have put unprecedented investment into primary care, supporting a massive increase in new staff and modern premises and improved services. Funding has more than doubled. Investment in GP services has increased from just £3 billion in 1997-98 to £7.86 billion in 2006-07. There are 5,300 more GPs and 4,500 more practice nurses. The average length of a GP consultation has risen by 50 per cent., from 8 to 12 minutes, and outcomes for patients have improved, and patient satisfaction in England with GP services has risen. In 1997, fewer than half of all patients could expect to see a GP within two days of asking for an appointment; now, more than 87 per cent. of patients say they see their GP within 48 hours.

Mr. John Horam (Orpington) (Con): Appointments are an important issue because they are the first point of access between doctor and patient. In most circumstances, it is sensible for a person to make a phone call, and they will then get an appointment for that day or the following day. However, patients who telephone are increasingly finding that they are placed behind others who make appointments through the internet. As a consequence, elderly people who do not have a computer are at a disadvantage in getting appointments. Is the Minister aware of this, and what can be done about it?

Mr. Bradshaw: I am certainly aware that some GP practices are introducing the option to book appointments electronically, and I welcome that as it provides a greater range of means by which people can make appointments; the complaint has often been made in the past that is rather difficult at some surgeries to make appointments via the telephone. However, the hon. Gentleman is right to highlight the potential danger of people who do not have access to the internet, or who do not use e-mail and rely on the telephone, being disadvantaged. I hope that GP surgeries and primary care trusts will do what they can to ensure that that does not happen.

Mr. Andrew Lansley (South Cambridgeshire) (Con): Can the Minister explain why the GP-patient survey said that 87 per cent. of those asked whether they were able to get through to their surgery on the phone said yes, but in a report published by the Healthcare Commission just a couple of months ago on urgent care, the patient experience survey found that 55 per cent. of people always or sometimes had a problem getting through to their GP practice or health centre on the telephone. Why is there a discrepancy between those two results?

Mr. Bradshaw: If the hon. Gentleman will bear with me, I will come on to deal with the discrepancies that have emerged between those two surveys and the Healthcare Commission report.

Dr. Howard Stoate (Dartford) (Lab): In some parts of the country there is still access to GP surgeries via 0844 numbers, and I consider that to be an unfair tax on those patients who have to pay a higher charge to get through to their GP—and where the GP effectively revenue-shares with the phone company, perhaps through how they pay for the phone system. This practice damages access, and I would like to learn what the Government might do to stop it, as it disadvantages patients, particularly in poorer areas.

Mr. Bradshaw: I can reassure my hon. Friend that we are looking closely at this. We have repeated on a number of occasions that the public should not be charged more than the cost of a local call for contacting their GP surgery. Some surgeries have introduced these more expensive phone systems, but we are looking at whether we can introduce a system where that would not be the case without disadvantaging surgeries.

Mr. Michael Ancram (Devizes) (Con): I wrote to the Minister's Department on the following matter in the summer. We are all keen for access to primary care to be encouraged and promoted, and we are also keen to encourage people to go to their GPs. However, a pharmacy White Paper is currently out for consultation, and for an area such as my constituency unless the first option outlined in it is adopted, which is the option of no change, it will be less likely that people will go to their GPs and more difficult, particularly for elderly people, to obtain the prescriptions they get at present from their dispensing doctors. Will the Minister take into account the fact that if we are serious about encouraging better access to primary care, moving in a direction other than that proposed in the first option will severely damage that aim?

Mr. Bradshaw: I reassure the right hon. and learned Gentleman that we are listening very carefully to the representations that he and other Members have made on dispensing GPs. No decisions have been made yet, but we recognise the value in their work that he describes. At the same time, we want pharmacies and pharmacists to play a greater role in the provision of primary care and we need to address some of the distortions that have been in the market for rather too long.

Many of the improvements that I described a moment ago have resulted from the much, and unfairly, maligned new GP contract. The contract was vital to prevent the haemorrhaging of GPs from the service, but that does not mean that it cannot be improved. Since its inception we have been improving it in relation to the quality of service from GPs and value for money for the taxpayer.

[Mr. Bradshaw]

The UK's almost unique system of family doctors is envied throughout the world. Most of us need and expect our GPs to be there for us when we need them, but in repeated patient and other public surveys the public have told us that they do not always find it as easy as it should be to see a GP quickly or make an appointment in advance and at a time that suits them. That is why the Prime Minister, when he took over just over a year ago, said that he wanted at least half of GP surgeries opening in the evenings and at weekends. Earlier this week we announced that that target had been met three months early.

Mr. David Drew (Stroud) (Lab/Co-op): If my hon. Friend examines the matter carefully, he will see that Gloucestershire sits alongside two other authorities in not having negotiated any improvements in GP access so far. I am assured by my primary care trust that that is historical data and that a lot of practices have now come on board, but will he ensure that there is not a huge disparity across GP practices? They should all offer some out-of-hours provision. Although many do so, the problem is how it has been reported. It was a bit of a shock to see that not one practice in Gloucestershire could qualify as part of the long-awaited improvement.

Mr. Bradshaw: My hon. Friend is absolutely right to draw attention to PCTs' so far variable performance in delivering on the target that more than 50 per cent. of GP practices should offer evening or weekend openings. It must be frustrating for him, as a Gloucestershire Member of Parliament, to note that his is one of the areas that still has some catching up to do. I am confident that Gloucestershire will catch up and that every strategic health authority in the country will hit the target by December.

Of course, the more GP surgeries that offer extended hours, and the more patients decide they like them and vote with their feet, the more likely it is that there will be a snowball effect. In that case, probably far more than 50 per cent. of surgeries in most areas will end up offering extended hours.

Mr. Stewart Jackson (Peterborough) (Con): Despite the Minister's words, does he not understand the cynicism that many general practitioners will have about the policy of getting rid of the minimum practice income guarantee? Some will feel that that means a move towards a capitation-based, quantitative approach to family primary care rather than a quality-based approach. The real effect will be to close many small surgeries up and down the country.

Mr. Bradshaw: No, I do not accept that. I think that the minimum practice income guarantee is one area of consensus in the House, and I shall say a little more about it in a moment. I welcome the fact that the British Medical Association has now signed up in principle to phasing it out, and we want to work with the BMA to ensure that we do that in a way that does not have the impact that the hon. Gentleman describes. The very problem with the guarantee is that it does not reward performance and quality. It makes a significant proportion of payments based on what has historically been paid, and I do not believe that anybody in 2008 thinks that that is the right way forward.

Mr. Lansley: The Minister will no doubt have seen that last week *GP* magazine reported the Department's director of the GP access programme as saying that one option that the Department was considering was to replace the directed enhanced service for extended opening hours with a local enhanced service. Can he confirm that that is one of the options that the Department is considering, and that in effect it would bring us to the situation that should have obtained under the contract introduced in 2004?

Mr. Bradshaw: No, I cannot comment on those remarks. I can say that we would not want to do anything that was in danger of reversing the marked and welcome progress that has been made on extended hours over recent months.

Norman Lamb (North Norfolk) (LD): The Minister says that he cannot comment, but is he saying that the report is not true? Do we face another change, on top of the one that was introduced earlier this year?

Mr. Bradshaw: If it would help the hon. Gentleman and the hon. Member for South Cambridgeshire (Mr. Lansley), I shall write to them with clarification on the matter.

Mr. Peter Bone (Wellingborough) (Con): The Minister has been extremely gracious in accepting so many interventions. Before he leaves the issue of getting access to a GP within 48 hours, I want to ask him about something that happened in my constituency. A rather poorly elderly lady went early in the morning to get an appointment at the doctor's surgery, only to be told that it was full for that day. When she asked whether she could have an appointment for the next day, she was told, "No, you have to come back and try again tomorrow." Presumably that did not register as her not being able to get an appointment within 48 hours, and surely that cannot be the way in which the Government want GP access to operate.

Mr. Bradshaw: No, that would not comply with the standard that someone should be able to see a GP within 48 hours. Some surgeries operate a walk-in, non-appointment service, whereas others offer appointments only. However, if someone is not able to see their GP within 48 hours, that would not comply with the current standards. That lady would, therefore, have every right, aided by her able Member of Parliament, I am sure, to complain to the practice concerned and to the primary care trust.

The people who are taking advantage of these new extended hours are not the people whom the Leader of the Opposition recently described, so disparagingly, as executives who

"need some jabs for a business trip to India".

Neither are they the people whom some doctors' leaders have described as the "worried well". They are the hard-working people who pay for the national health service, and they welcome the fact that they do not have to take time off work any more, in some cases losing wages as a result, just to see a doctor. The new evening and weekend opening hours are proving extremely popular with the public and with the doctors, nurses and other practice staff who are implementing them. I hope that

the Conservative party will soon perform another U-turn and abandon its pledge to reverse evening and weekend opening—perhaps the hon. Member for South Cambridgeshire will assure us now that it will abandon its pledge to reverse extended opening.

Mr. Lansley: The Minister will doubtless be aware that I will have an opportunity to say something after he has finished, but may I ask him a question now? Has he seen the report on extending opening in this week's *Pulse*? It says that its survey of 398 GPs found that

"only 37 per cent. of those attending are working professionals".

So, the hours are not necessarily being used by people who are in work, and that is what one would have expected. He must know from his own patients survey that the people who most wanted to be able to attend on a Saturday morning were the elderly, not those who are in work. Of course we can respond to patient choice, and to do so is Conservative policy, but we need to be aware who is seeking this system.

Mr. Bradshaw: That was exactly the point that I was making. I was citing the suggestion by the right hon. Member for Witney (Mr. Cameron) that the only people who would use extended hours were yuppies getting their jabs before going to Asia, and making the point that a cross-section of patients are benefiting from these hours. This week, I visited a surgery in west London that has introduced extended opening, where I was told that the patient profile of the people using the service was almost exactly the same as the surgery's overall patient profile. It included not only people who welcomed the fact that they could attend before or after work on a week day, but elderly people, who liked the fact that the surgery was quieter, and parents, particularly mothers, who found that they could use the evening opening—their child care arrangements were looked after because their partner, husband or spouse was already home. We should not be sniffy about the fact that extended opening is being used and welcomed by a cross-section of patients, because that is exactly why the Government introduced it. I hope that the Opposition will abandon their pledge to reserve it.

Helping patients to fit a doctor's appointment into their busy lives does not just mean making available evening or weekend appointments; it also means patients being able to be seen quickly and to book appointments ahead. Some of the media today have said that the Healthcare Commission's report shows that just 31 per cent. of primary care trusts are giving patients an appointment within 48 hours. That is not correct. The Healthcare Commission's own patient survey and the much larger national GP patient survey, which questions 5 million patients, both show the same thing: last year, 87 per cent. of patients said that they could see their GP within two working days of asking for an appointment. That is a further improvement on the year before.

The Healthcare Commission has its own separate measurement to judge how effectively primary care trusts are performing. It is that far more stringent measurement that has led to some of today's misleading headlines. While 87 per cent. is good, it is not good enough. Every patient should be able to see their GP within 48 hours. If any of the hon. Members present, or their constituents, think that local GPs are not providing that service, they should take the matter up with their local primary care trust.

Norman Lamb: The Minister referred to the fact that the assessment by the Healthcare Commission is much more stringent, and I have read the relevant section of the report. None the less, the results are alarming, suggesting that patients often cannot get an appointment within the defined period. When the surveys do their mystery shopping, they make three calls, because in real life people often cannot make specific times, especially if they are working. The commission report should therefore give rise to considerable concern and demonstrates how much further we still have to go.

Mr. Bradshaw: I agree, and I wish to put on record my admiration and respect for the work of the Healthcare Commission. We established that independent health watchdog and its work has helped us to drive up standards across the NHS. It is also right to highlight in its report the relatively weak performance at primary care trust level. There has been significant improvement across the NHS, as Sir Ian Kennedy, the chairman of the commission acknowledged, both in his foreword to the report and in his media interviews, but acute hospital trusts are performing much more strongly than primary care trusts. That is partly because primary care trusts were massively reorganised only two or three years ago and have been settling down since. There has been improvement, but the Healthcare Commission is right to focus the criticisms in its report towards primary care trusts, and especially their management of GPs.

Mr. Lansley: It is important to be clear about what the Healthcare Commission is saying. Will the Minister therefore agree that it was unhelpful for the Secretary of State to wander around studios this morning insinuating—and sometimes even stating—that there was a difference between the commission's survey and the Department's, because the latter asked about the chance of seeing "a" doctor within 48 hours, and the former asked about the chance of seeing "your" doctor? That is irrelevant. In fact, the Healthcare Commission incorporated the result of the GP patient survey fully into the measure that it has published. In that sense, what the Minister has said is true, and not what the Secretary of State said.

Mr. Bradshaw: It would be unwise for me to comment on media interviews that I did not hear or see. I do not think that there is any difference between us and the Healthcare Commission on the surveys. Indeed, the commission used our survey as part of its report. The difference, as the commission acknowledged, comes in its interpretation of some of the data, which has led to headlines claiming that two thirds of people cannot see a GP within 48 hours, so millions of people are deprived of access to GPs—to misquote the splash in *The Daily Telegraph* today. That is not the case, and the Healthcare Commission has been happy to put it on record that that is not its view.

Mr. Bone: What the report actually said was that two thirds of primary care trusts were failing to get everyone in their area seen within 48 hours. If that is the case, it is quite a failure to meet the Government's target.

Mr. Bradshaw: It is not a target, but a standard; let us get our terminology right. The hon. Gentleman is right, but it would be wrong to imply from that information that millions of people were being deprived of access to

[Mr. Bradshaw]

a GP—that is not the case—or to give the impression that the vast majority of people in both surveys were unable to do so: 86 or 87 per cent. said that they could get to see their GP within 48 hours.

Mr. Lansley: I am sorry to intervene again, but if we are in the business of clarifying we should clarify properly. There are two surveys, one of which is the primary care access survey conducted by the Department through primary care trusts. The other is the GP-patient survey conducted by Ipsos MORI. That survey says that 87 per cent. of patients say that they can access a doctor within 48 hours. The national primary care access survey says that 98.93 per cent. of patients can access a doctor within 48 hours. Part of the issue is how the Healthcare Commission has constructed its measure. It has done so partly to incentivise improvement on the patient access survey, and partly to penalise the gap between the two surveys, which on average across the country is approaching 12 per cent. The measure has taken some PCTs below 80 per cent. overall achievement—below a mark of 80—which means that they are held not to have achieved the level. I know that that is complicated, but it does not mean that it is true that the two surveys deliver the same result.

Mr. Bradshaw: We are dancing on the head of a pin. I agree completely with what the hon. Gentleman just said, and I am not quite sure what point he was trying to make.

One way in which we have achieved the improvement in GP access is using incentives in the new contract. An ever-increasing proportion of the payments made to GPs is based on a patient's ability to get an appointment within 48 hours and to book appointments ahead. More than £38 million is now available through the quality and outcomes framework to award those practices whose patients are highly satisfied with the speed and efficiency of the appointments system.

Providing incentives for practices to open for longer, and making it easier to see a GP quickly and to book appointments ahead, are only part of the story. We are also expanding primary care through new and additional GP practices. We have already replaced and refurbished nearly 3,000 GP premises and built more than 650 one-stop primary care centres. We have invested nearly £1.5 billion in primary and community care facilities since 2003 under the LIFT—local improvement finance trust—initiative.

In order further to improve access to GP services and to tackle some of the persistent health inequalities, we need to do more. We are investing £500 million over the next three years to provide a new GP-led health centre in every primary care trust in the country. Any member of the public, regardless of which local GP practice they are registered at, will be able to walk in and use those services or book an appointment in advance. Every centre will be open from 8 o'clock in the morning to 8 o'clock in the evening, seven days a week, 52 weeks a year.

Tony Baldry (Banbury) (Con): The Minister has talked about carrots and incentives for GPs to improve access, and I am sure that we all welcome that, as it is good news. However, there is one thing that I am at a complete loss to understand. In the whole area covered by the Oxfordshire PCT there will be just one Darzi centre in one bit of the county, so how will that help everyone else all over the rest of Oxfordshire? Would it not be better to put the money that will go into that Darzi centre into the general pot of incentives and carrots to help all GPs improve their services? Effectively, what will happen is that one Darzi centre in one bit of the county will be competing with the GP practices there, while the rest of the county will not benefit at all from the centre. I do not understand the public policy imperative of all that. It is very confusing.

Mr. Bradshaw: What happens in Oxfordshire is a matter for Oxfordshire PCT. The hon. Gentleman might want to make representations to the PCT. If he does not want the new walk-in centre in his constituency, in Banbury, perhaps the trust would be better off putting it in Oxford, where students could benefit from it.

As I said earlier, one thing that has come top of the public's concerns on the further improvements that they want in the health service is the ability to see a GP at a time that is more convenient to them. As we have discussed already, more than half of GP surgeries now offer appointments in the evenings and at weekends, but it may be that only half or 60 per cent. of GPs in Oxfordshire do so. It is right that a service should be provided so that people whose surgeries are not open in the evenings or at weekends, or at a time that is more convenient for them, can make use of them on a Saturday or Sunday or a weekday evening. I must tell the hon. Gentleman that those facilities that are already up and running are incredibly popular.

Earlier this year, the proposals were subject to a campaign of opposition led by the British Medical Association. I am afraid that that campaign was supported by both the Conservatives and Liberal Democrats. The claim was that the proposals posed a threat to existing GP services and would lead to the wholesale closure of GP practices. I believe that both Opposition parties are pledged to scrap them, and that is another area in which I confidently predict U-turns by them.

Norman Lamb: What we opposed was the central imposition on every PCT. The Minister responded to the intervention from the hon. Member for Banbury (Tony Baldry) by saying that the decision was up to each PCT, but that is not the case. It was imposed from Whitehall. Will he confirm that every PCT had no choice but to go along with the decision, and also that the time scale was very tight?

Mr. Bradshaw: I do not know whether the hon. Gentleman has misinterpreted my remarks accidentally or deliberately, but I said that the decision on the location was entirely up to Oxfordshire PCT. He is entirely right to say that we are insisting that every PCT in England establishes one of the new facilities, but I have never met anyone who is 100 per cent. satisfied as to the current level of access to general practice in their area. The new facilities will be a big improvement, and as I said, the ones that have been set up already are extremely popular.

Mr. Philip Hollobone (Kettering) (Con): One big concern in the opposition to the proposals was the cost per patient visit of the new centres. My own GP, Dr. John Fitton of the Dryland surgery in Kettering, has produced

evidence that that cost in his surgery is far less than in the new Darzi centre that might be established in the town. Will the Minister satisfy the House that the cost per patient visit in the new centres will not be far larger than in current GP surgeries?

Mr. Bradshaw: I shall be happy to look at the figures if the hon. Gentleman would like to provide them, but it will be the responsibility of his local PCT to ensure that the services are provided effectively and efficiently, and that they represent good value for the taxpayer.

Mr. Stewart Jackson: Will the Minister give way?

Mr. Bradshaw: I will, but then I really must make some progress.

Mr. Jackson: The Minister is being very generous, but is he aware of the survey done last month by the company CACI, which helps big commercial organisations with mapping their retail operations across the country? It found that a significant number of PCTs do not have suitable sites for Darzi centres, and many PCTs were quoted as saying that the centres would lead to an "inefficient and overlapping network" of services. The lack of a major centre plan from the centre means that a lot of public money would surely be wasted if the Darzi centres were imposed on PCTs.

Mr. Bradshaw: One moment we are criticised for having too much of a strategic plan from the centre, and the next for not having one at all. By referring to Darzi centres, the hon. Gentleman is confusing his terminology in the same way that the hon. Member for Banbury did. He may be thinking of the polyclinic model, which is certainly part of the likely emerging health landscape in London but which I suspect is not something that most areas of the country will pursue.

The new centres will give people the flexibility to visit a doctor at almost any time of the week, at a time that is convenient to them, while remaining registered with their own GP. The benefits will be immense, especially for people who commute or spend long periods away from home, for students who want to remain registered with their doctor at home but who want access to health care where they are studying, or simply for people whose own GP does not open in the evenings or at weekends.

As well as the new GP-led health centres in every area, and in order to help tackle further health inequalities, the NHS is establishing 112 new GP practices in the areas of greatest need and where there are fewest GPs per head of population. The Jubilee line heads from here in Westminster to Canning Town in east London, and the average life expectancy of people whose homes pass overhead along the line falls by a year for each of the seven stops along the way. The ratio of GPs to population also falls dramatically. Based in the community, the GP's surgery is in the front line in improving health and tackling inequalities.

Increasing the number of primary care clinicians in an area can therefore be the single most cost-effective way of improving the health of that population. Yet the most deprived areas—those most affected by poverty, an ageing population and rising levels of obesity—are usually the very ones that have the fewest GPs, so funding new practices in the areas of greatest need will have a decisive impact. They will help remove long-standing inequities in health provision in England and improve health outcomes for the local population. More practices will also mean greater choice for local people.

I mentioned earlier that we were always looking for ways of improving GP services. One of the aspects of the existing contract that has come in for criticism, in my view justifiably, has been the minimum practice income guarantee. It has protected the historic income of GP practices that would otherwise have lost out when the new contract was introduced in 2004. It was right for that time, but as GP pay and conditions have improved, we believe that it has outlived its purpose. It reduces the incentives for popular GPs to take on more patients, thus constraining real patient choice, and it is not closely enough related to GP performance.

We are very pleased that earlier this week the British Medical Association agreed that the time had come to end GPs' reliance on that source of income. On Tuesday we announced that in 2009-10 we would take the first step towards abolishing the MPIG.

Mr. Lansley: Will the Minister give way?

Mr. Bradshaw: I will just finish the point. As we take those steps, practices will be able to offer improved services to their patients. This includes better access to those services. I give way to the right hon. Gentleman.

Mr. Lansley: Not right honourable.

Mr. Bone: Not yet.

Mr. Lansley: Well, sometimes right, sometimes honourable.

We have discussed the MPIG in the past. As the Minister says, it was always intended that it would disappear over time as the award to GPs was focused on the quality and outcomes framework and weighted capitation. Given that we are moving in that direction, does it not also make sense to ensure that as GP practices lose income guarantees, so the GP-led health centres that he is talking about should not have income guarantees built into their contracts? Then at least whoever wishes to provide a new practice in the form that he describes does so on the same basis as existing GPs.

Mr. Bradshaw: I certainly agree with the hon. Gentleman that there should be a level playing field throughout primary care. That is what the phasing out of the MPIG will at long last help us deliver.

The reform of the MPIG will, as I have already said, help improve patient choice. Everyone in England can now choose which hospital to go to for their operation. We want people to have the same level of choice when it comes to their GP. The NHS Choices website provides patients with ever-more detailed information about their local GP practice, the services that it provides and its opening hours, and even what fellow patients think of the practice. With these important reforms and with people exercising choice, GPs will be more accurately rewarded for providing top-quality services, and that will help drive up standards even further.

[Mr. Bradshaw]

The quality and outcomes framework, which links GPs' pay to the health outcomes that they deliver, has also brought major benefits for patients. It has significantly improved the way in which GP practices record risk factors such as high blood pressure or smoking. This focuses attention not just on helping the sick to get well but on how to help people lead a more healthy lifestyle. This week we also agreed improvements with the BMA to the quality and outcomes framework. The new agreement will see £80 million relocated to reward practices delivering a range of new services for their patients, including helping to prevent cardiovascular disease in people with high blood pressure, improving advice and choice on contraception, a new indicator for depression to make sure that treatment is not stopped too soon, improvements for chronic kidney diseases, diabetes and chronic lung disease and improved drug treatment for people with heart failure.

Norman Lamb: In its report a week ago, the Public Accounts Committee indicated that there was not yet much evidence of any significant improvement in health inequalities as a result of the use of the QOF. When does the Minister think that evidence will be available that will demonstrate that the QOF is working to create a healthier population?

Mr. Bradshaw: Given the time lag in terms of the impacts on health outcomes, it is inevitable that the evidence will take some time to come through, but the hon. Gentleman might note the advances we are already making on mortality rates for some of the long-term conditions and killer diseases that have disproportionately affected people from the lower socio-economic groups. We are already making progress in that regard and GPs are firmly convinced that the QOF has helped. The more we change and reform the framework in the way I have just outlined, the more we will tackle the inequalities that he and I and all Members want tackled.

The new agreement also introduces valuable improvements to the framework. It recognises and rewards high-quality patient care and has a stronger focus on health outcomes. As well as rewarding and providing incentives for good clinical outcomes, we want to ensure that patients feel they have been treated with courtesy and respect. That is why, earlier this year, we announced in the next stage review that a greater proportion of the incentive payments made to GPs in the future will be based on how good the public feel the service provided was, based on our comprehensive annual patient survey. The 2008-09 patient survey will provide even more information about whether practices are getting the basics right. Do patients have the option of a telephone consultation? Are they listened to and treated with respect? What is their experience of out-of-hours services? What GPs are paid will directly reflect the standard of accessibility and convenience that they offer.

The Government are overseeing the greatest expansion in primary care since the creation of the health service 60 years ago. We are investing in new practices and new services. We are putting patients at the centre of health care planning. We are giving patients a greater choice of when and how they see a GP. That is not an alternative to existing primary care provision, and it will not undermine GP practices; it is an addition to existing services. Patients now enjoy an unprecedented quality of service. Their views are translated into local action and their desire for a more convenient and accessible high-quality NHS is being brought to life.

Primary care is the cornerstone of the national health service. It is where we all turn first when we or our families need help. I am pleased to report that in its 60th year primary care is in excellent health. With continued investment and reform under this Government, it will get better still.

3.37 pm

Mr. Andrew Lansley (South Cambridgeshire) (Con): I am glad that the Government have chosen to discuss access to primary care this afternoon. It was timely given that the Healthcare Commission reported this morning, although from the Government's point of view they might have checked what the commission said before choosing to hold a debate on the day it reported. However, from our point of view we are pleased that they did.

The debate follows two debates in Opposition time during this Session—on family doctor services and on the Government's polyclinic plans—both of which gave us substantial opportunities to set out how we feel about general practice's central contribution to health care, how we value general practice and how we hope to support and develop it in the future. I shall not take up as much time as the Minister, and will try to limit my speech, as this was the chance for him to set out some things in detail.

Mr. Bradshaw *rose—*

Mr. Lansley: The Minister generously gave way often, so I shall of course give way to him.

Mr. Bradshaw: That is the very point I wanted to make: half my time was taken by interventions.

Mr. Lansley: I did not mean to be critical. The Minister took many interventions, which allows me to avoid having to say some things I would otherwise have had to say.

Anne Moffat (East Lothian) (Lab): I have to get a flight to Scotland tonight.

Mr. Lansley: The hon. Lady is in the hands of the Chair, who determines matters such as the timing of debates. If the Chair felt that I were being excessive in the use of time, I have no doubt that he would stop me.

I have never seen a better description of the central role of primary care than that offered by Barbara Starfield, professor of health care management at Johns Hopkins university in America. In one way, it is surprising that an American academic can understand it, but I suspect that she can see it, not least because there is often a lack of such primary care infrastructure in America compared with the UK, and there is envy of our primary care system, particularly our family community physician service. She said:

"Primary care deals with most health problems for most people most of the time. Its priorities are to be accessible as health needs arise; to focus on individuals over the long term; to offer comprehensive care for all common problems; and to coordinate services when care from elsewhere is needed.

There is lots of evidence that a good relationship with a freely chosen primary-care doctor, preferably over several years, is associated with better care, more appropriate care, better health, and much lower health costs."

All those things are true, but as hon. Members will recall from previous debates, defining primary care in those terms also helps us to identify some of the central problems of the Government's approach to primary care.

Primary and secondary care are too often separated from each other. Family doctors—community physicians—have too little control over care. They do not have enough ability to manage the care for their patients, so the thing we are all looking for—more integrated care, focused on the needs of patients—cannot be delivered.

People's relationship with their GP is being undermined by the Government's Martini strategy—"Any time, any place, anywhere". From the Government's point of view, it is good enough that the patient is seen by somebody, whereas from the public's point of view, it often matters a great deal who one is seen by. Awareness of that seems to have disappeared. The atomisation of primary care in the Government's hands is one of the central problems. It is not that the Government think primary care access unimportant, but the way they are going about it is undermining one of the most important aspects of primary care.

The Minister raised a number of subjects, and I shall mention one at the outset. He said at the start that he would illustrate how, in primary care, the patient voice was being listened to, but I did not detect that in anything that he subsequently said. Apart from the fact that a lot of the Government's thinking seems to have been dictated by some of the results from the GP patient survey, the patient voice as such, in any qualitative sense, seems to have disappeared from primary care. Patients are supposed to be able to exercise choice. If the Minister really wants to know what we most want to achieve, we want to achieve a situation where patients have choice and voice, which has not happened.

I have been at this Dispatch Box talking about health for my party long enough to recall responding to a statement by the Secretary of State in January 2006 on the community White Paper called "Our health, our care, our say". One of the things in that document, which we supported, was the intention that patients should be able to exercise greater choice about their general practitioner; but it has not happened.

For example, where is the incentive to take on new patients? This week, the Minister said for the first time that the announcement about increasing the global sum in relation to the correction factor means that there should be a greater incentive to take on new patients, but it has taken nearly three years to get to that point. In January 2006, it was stated that we could expect something on the expanding practice allowance, but it has not happened. The same promise was repeated in the next stages review published in June 2008, as though two and a half years had just passed by and nothing had been done inside Government.

The Government promised, in January 2006, that they would stop general practices being "open but full". It did not happen. What happened? The promise was repeated in the next stages review: "We are going to do it now". Well, two and half years have gone by.

The Government said, in January 2006, that walk-in centres would be reviewed. I was listening out for walk-in centres. They were not mentioned. If you had asked me, Mr. Deputy Speaker, before the Government went down the route of polyclinics, "What actually should Government be doing?" this is what we would have said—I think that the Liberal Democrats probably agree with this. First, encourage and incentivise more practices in under-doctored areas, and make sure that practices working in the most deprived communities have genuine incentives, rather than perverse incentives, to do so. Across the country, ensure that people can maintain their registration with the practice of their choice—and that they have greater choice. There is a need and a wish for patients to be able to access care on a more discretionary basis, not always having to go to their own practice. Actually, that was what walk-in centres were all about.

The logical thing to do is not to set up new polyclinics, the purpose of which is not to be open from 8 am to 8 pm seven days a week, but to look at the walk-in centre pilots and ask how we can make walk-in centres do that job in the places where they are necessary. My hon. Friend the Member for Banbury (Tony Baldry) has left the Chamber, but he made a good point. The Government have told primary care trusts to do it, and they are doing so in places, mostly of their choosing, that do not necessarily relate to that need.

There may well be a need for a walk-in centre in Oxford—perhaps there is such a centre—but in that city as, for my part, in Cambridge, where there are lots of tourists, students and people who, because they are commuters, sometimes find it difficult to access their local GP, the idea of a walk-in centre is a perfectly reasonable one. In 2006, the Government said that they would review walk-in centres and create the right incentives across primary care to look after unregistered patients, but they did not conduct such a review. They said that they would allow people to register near their work, rather than their home, but they have not done so. I am afraid that the things that the Government said that they would do have not been done, so the House will forgive us if we are less than confident about the Government's intentions.

None of this has allowed patient choice to occur, but neither has patient voice had an impact on primary care. Community health councils have been abolished in England. Patients forums have been abolished in England, and it is very difficult to establish what is happening on local involvement networks in many places. The people who are most able and willing to support serious qualitative input by the public and patients who wish to engage with the quality of their health care have found that their contribution has been so disparaged and undermined by constant Government changes that they have walked away. We have to change that.

Anne Moffat: *rose—*

Mr. Lansley: I hope that the hon. Lady will say that she will support Conservative proposals for an independent, empowered health watch in every part of the country, including a national consumer voice in health care.

Anne Moffat: Is my right, or not, hon. Friend—[Hon. Members: "He is not the hon. Lady's friend."] Is the hon. Gentleman stating that his party's manifesto will reintroduce all those quangos?

Mr. Lansley: Just a few weeks ago, I published a summary of our health care policies, and it is clear that LINks should be converted to health watch locally. Local authorities, such as Kent county council, have set out to create precisely that kind of powerful consumer voice in England, embracing health and social care. A previous Secretary of State commissioned a review of regulation in the health care sector from Lord Currie of Marylebone, who as the hon. Lady will know, was previously a Labour Member in the House of Lords. He recommended to the Government that there should be a national consumer voice in health care, but the Government have effectively abolished that voice, and it has disappeared.

Instead of talking about patients very much, the Minister talked about the GP survey, which led Ministers to the conclusion that, because just less than 10 per cent. of respondents were dissatisfied with their surgery's opening hours, because their surgery did not open in the evening or on Saturday, they needed to tell GPs what to do. The Minister keeps asking whether we are going to reverse his policy, and the answer is yes, we are going to do so. We are not going to tell GPs what to do. We are going to make them far more accountable to patients, and to give patients much greater power. We are going to hold GPs to account for the quality and outcomes that they deliver. There is something utterly perverse about the Government's belief that quality and outcomes are the basis on which GPs should be measured and rewarded, but then try to dictate in detail—sometimes in absurd detail—how GPs should go about their processes, rather than measuring their performance and rewarding them on the quality and outcomes of what they do.

Mr. Bradshaw: How would the hon. Gentleman give this new power to patients, when both he and the right hon. Member for Witney (Mr. Cameron) have said that they would give the BMA a veto over opening hours?

Mr. Lansley: Those words have never passed my lips or those of my right hon. Friend. The focus is on patient choice. There is something absurd about the entire argument. The negotiation of the GP contract in 2004 was the moment when GPs said, "If we offered Saturday morning surgeries up to now, we will stop doing so. If the primary care trust wants us to do Saturday morning surgeries, the contract states that the PCT will commission that as a local enhanced service." Most PCTs did not do so.

We discussed the matter in February this year. The Secretary of State and the Minister were in a stand-up row with the BMA about it, quite unnecessarily. The Secretary of State admitted that he did not know how many primary care trusts commission, through their local enhanced service, extended GP opening hours. The Minister will not say whether that is happening or not, but we will probably end up going back to a local enhanced service in order to do it on a locally determined basis, which is precisely where PCTs should have been in the first place. The present situation is outrageous. The relationship between Government and general practitioners has been damaged to a remarkable and deeply unwelcome degree.

There is much in the GP patient survey that the Government seem to have ignored by focusing on extended opening hours and nothing else. Look, for example, at patients wanting to book ahead. The fact that almost 10 per cent. of patients in the survey wanted extended opening hours was the basis upon which the Government created a raft of policy. We know that almost exactly the same number, just under 10 per cent. of those in the survey, wanted to be able to book ahead for their appointments but were unable to do so. Why? That is a consequence of the Government having introduced their 48-hour target, rather than GPs being able to manage their appointments system in the way in which they want.

So we have ended up with the Government creating unhappy patients, in large measure, by introducing a target. Another part of the survey revealed unhappy patients as a consequence of the Government's own contract. They ignore one and blame GPs for the other, when clearly it was the Government's fault. It is an outrageous abuse of the Government's position to blame GPs, as they have done. I do not have to be a friend of the BMA to defend GPs against the way in which the Government have behaved towards them.

The Minister said that changes are needed to the quality and outcomes framework. There are benefits in shifting GP remuneration towards the global sum and the quality and outcomes framework instead of the correction factor. It is important that the QOF responds to evidence about what is likely to deliver quality. When the Minister responds, perhaps he can explain this. The Darzi review in June stated:

"We will introduce a new strategy for developing the Quality and Outcomes Framework which will include an independent and transparent process for developing and reviewing indicators."

The expert panel for 2008-09 recommended that there should be a new indicator for osteoporosis and for peripheral arterial disease. The Government did not do that in 2008-09, because they wanted to focus all the points on their extended opening hours—directed enhanced services. For 2009-10, the opportunity existed to introduce a new indicator and the expert panel had told them to do it, but it is not among the clinical indicators that have been added. Effort and money were spent on delivering expert advice on the QOF, and the Government have ignored it. Perhaps the Minister will explain that.

GP commissioning is central to our policy, although I will not explain at length why it is central. When the Minister spoke about devolving decisions, he talked about devolving decisions to primary care trusts. Devolving decisions to GPs has disappeared from the lexicon of Ministers, as it has from most of the next stage reviews that were published over the summer. We know from the Audit Commission's work that was published in June that practice-based commissioning has stalled. Most GPs feel that their primary care trust does not support it, that they do not receive any management support for it and that they do not have the opportunity to do anything. As a consequence, very few GPs have been able to commission any new services.

I know where we stand—we want to create proper, powerful GP commissioning as a basis. The integral strength of primary care, in being able to manage the care of patients by someone with whom they have a relationship, points directly to that conclusion. Ministers used to talk about practice-based commissioning—when Tony Blair talked about reform of the national health service, practice-based commissioning was one of his key reforms—but it has disappeared. If the Minister is going to talk about primary care when he replies, perhaps

he will tell us whether practice-based commissioning is still the Government's policy, because I think that it is disappearing.

Norman Lamb: May I commend to the hon. Gentleman a Liberal Democrat survey of GPs in Norfolk that asked about practice-based commissioning? In answer to the question whether GPs thought practice-based commissioning had improved patient care, just 11 per cent. felt that it had, with only 6 per cent. saying that it had had a considerable impact on their practice. In Norfolk, therefore, practice-based commissioning is simply not happening in most practices, and that is very depressing.

Mr. Lansley: Yes, it is depressing. Indeed, what the hon. Gentleman describes is consistent with what the Audit Commission said in its document earlier this year. It said, understandably, that the few practices where GPs had grabbed hold of practice-based commissioning and were using it creatively tended to be the same ones that had substantial experience of fundholding, so they are responding only now, 11 years later.

I do not want to go back to fundholding. I want to develop GP commissioning that is relevant and applicable to every GP practice, so that they can all use the kind of freedoms that came with fundholding. More to the point, however, I want to do that within a better accountability framework, in which the PCT's role is that of strategic commissioner, if necessary policing the boundary between commissioning and provision, and in which patients exercise greater choice than under fundholding.

We are talking about access to primary care, but the Minister did not mention dentistry, as though dentistry in primary care did not exist. If my hon. Friend the Member for Hemel Hempstead (Mike Penning) catches your eye, Mr. Deputy Speaker, I hope that he will have time to say something about dentistry. The Minister did not talk at all about the process of accessing urgent care. However, for many patients, one of the central issues is how they can get hold of somebody. That obviously includes the out-of-hours service, which is, at least in theory, an extension of general practice, out of hours. However, that has not been true of the out-of-hours service since the introduction of the new contract, because the service has been taken away from GPs.

We know that in many places GPs continue to manage out-of-hours services through co-operatives. My personal experience is that where that happens, GPs and patients locally find that the service still meets more of their objectives. Indeed, I am surprised that the Minister did not speak positively about the benefits of that, since Devon Docs, which operates out of his constituency and which I had the privilege of visiting earlier in the year in Marsh Barton.

Mr. Bradshaw: Did you tell me?

Mr. Lansley: Yes, I did. Devon Docs provides a service not only in Devon, but under contract in parts of the north-west, such as St. Helens and Warrington, if my memory serves me correctly.

Anne Moffat: What would the hon. Gentleman do, given the fact that his party destroyed dentistry by privatising it?

Mr. Lansley: I am sorry; I should not have given way. My hon. Friend the Member for Hemel Hempstead will say something about primary care access to dentistry later. I will leave that to him, because I know that he feels strongly about it.

I do not want to go on about the out-of-hours service in detail, but it is just not good enough for Ministers to treat access between 8 am and 8 pm, five days a week—or even including the weekend—as a sufficient answer to the issues that the public have raised. The GP patient survey does not touch on out-of-hours services to find out what patients' experiences are. We need to ensure that GPs feel that the out-of-hours service properly integrates with the service that they provide during the week, and we need to ensure that it is more accessible from the patients' point of view.

This is all part of an urgent care approach. Interestingly, the Next Stages review documents all over the country are saying that we need to reform access to urgent care, but no one is doing anything about it. My hon. Friend the Member for Hemel Hempstead might add to this later. It is clear that we need to think hard about how people first approach the NHS. If they want to go to a walk-in centre, that is fine. But if they want to pick up the telephone, they often find themselves not really knowing whether to ring NHS Direct, their local GP, a different number for the out-of-hours service, another number for a dental service or 999. They are not sure about any of these things, even in an emergency. In fact, the figures demonstrate that large numbers of people end up ringing 999 when there is not an emergency.

We need to arrive at a position in which there are just two numbers. If there is an emergency, people should ring 999. If there is not, they should ring another number. Clearly there is work to be done regarding that other number, because I understand, having spoken to Ofcom, that the numbers that we could use are being progressively taken by others across Europe. We have to do this on a Europe-wide basis, and others across Europe are taking the relevant 116 numbers. If we do not get our skates on, the proverbial beach towels will have been laid across all the numbers—and we can guess who is doing that.

Access to primary care is not confined to GP practices. It also includes health visitors. I suppose we all choose to cite numbers selectively to serve our purpose, but it is astonishing that, although the Minister can get up and tell us how many additional practice nurses there are, he will not tell us how many health visitors there are. Health visitors are also instrumental in the process of delivering better health care. Their numbers have been declining: we have seen a 10 per cent. decline in the past three years. We saw 800 health visitors leave the profession in 2006, while only 330 were being trained, even though there were nearly 800 applicants for such posts.

We need to restore a more universal health visiting service. We, at least, have made it clear that we will make a start by making the resources that were to be used for outreach workers at Sure Start centres available for health visitors who would see mothers when they came home shortly after their babies had been born and see them through those first few weeks. That would be instrumental in delivering an improvement.

The Minister said that he wanted to improve access to pharmacy. I will not go on at length about pharmacy, but pharmacists are constantly being led up the hill.

[Mr. Lansley]

They were led up the hill over the pharmacy contract. They were told that, instead of the old scheme, they would have a new scheme in which their payment would increasingly be geared to the commissioning of additional services, particularly in the area of public health, such as screening. They are now being told the same thing again, three years after the previous pharmacy contract. That did not happen before, and all their expectations were frustrated. They believe that it will happen again now. At the moment, however, I see no evidence that primary care trusts are launching into this process—indeed, quite the opposite.

If we look at the way in which the Government are approaching the cardiovascular risk assessment programme—this was part of the quality and outcomes framework announcement in relation to the GP contract—we see that it is being geared to be delivered through GP practices. There is good evidence, however, that we do not have the risk-assessment tool available to see what the Government are planning to do, still less the cost-benefit evaluation that supports it. At least, there ought to be an opportunity for pharmacists and pharmacy chains to offer the same service on the same basis. As far as I can see, the information that triggers the risk assessment can be gained in a pharmacy as readily as in a GP practice. If we are talking, as we often are, about men in their 40s and 50s who probably have no reason to be visiting their GP, but find themselves in pharmacies from time to time, this may well be a more convenient and acceptable way for them to access pharmaceutical services.

Let me move on to polyclinics. The Minister behaves as if these are somehow an accomplished fact. In many places across the country, we are just beginning to realise what the evidence shows—my hon. Friend the Member for Banbury made clear what was happening in his area and it is occurring elsewhere—which is that the choices made by the primary care trusts, entirely at the behest of the Government who told them to have a polyclinic in every area, are entirely inappropriate in the view not only of local GPs, but of local populations.

Norman Lamb: Is not part of the problem the fact that this is being imposed on the basis of such a tight time scale? I am told that, in Norfolk, the estate review for the whole county had not been completed before the instruction came to just get on with producing a polyclinic or a GP-led health centre. That took away the capacity properly to commission and to determine priorities within the county.

Mr. Lansley: I entirely agree. Some GP practices had plans to get together to create more accessible physical accommodation, but because those plans could not be accommodated within the Government's mandatory timetable, they were not able to adapt the polyclinic plan to their particular local circumstances. Yet that is what they should be doing. This is not rocket science; it is very straightforward. If we want more access to outpatient clinics in the community, more access to diagnostic services and to therapists in the community—all of which we do—and if the Government want to make £1 million available to a primary care trust to achieve that, the PCT should have that money and be able to decide on the best way of implementing those objectives.

It is interesting to note what is happening in London. Having had the benefit of Boris's election campaign, which put wind in our sails, we have been campaigning, but it is quite clear that NHS London does not want to do what the Government have told it to do. The Prime Minister said from the Dispatch Box last year that London would have 150 polyclinics and the subsequently published document said that each polyclinic would be a large building with 25 GPs in it and all the rest of that stuff. Now, however, NHS London has arrived at the point where most of what it wants across London is the so-called hub-and-spoke model, which means that most GP practices stay where they are and do what they were doing before. Put into the so-called hub are outpatient clinics, diagnostics and therapists—all perfectly okay from my point of view, but that is not what the Government told London to do. It just shows the poverty of the ideas in the Government's original proposals.

Mr. Neil Gerrard (Walthamstow) (Lab): The hon. Gentleman is confusing two different things, as a GP-led health centre is not the same as a polyclinic—*[Interruption.]* Well, let me tell the hon. Gentleman about London, which is a subject that he raised. My PCT is going to be in the first wave of polyclinics. It told me and other MPs in the area very clearly and simply that a polyclinic is not the same thing as a GP-led health centre. Indeed, the GP-led health centre is a completely separate proposition from the hub-and-spoke polyclinic that is being introduced. I do wish that the hon. Gentleman had talked to some people in London before telling us what he thinks is actually happening there.

Mr. Lansley: Well, I do talk to people in London. Indeed, I talked to the chair of the joint health overview and scrutiny committee in London—and Mary told me exactly what was happening. I do not have them with me now, but I have received written answers from the Minister on the definition of a polyclinic and a GP-led health centre—and they are virtually the same, in the Minister's own words.

My point is that the Darzi report said that there would be 150 polyclinics in London. I hope that we will end up with a small number of polyclinics in places where it makes sense locally, and with a large number of investments—again where it makes sense locally—in GP or primary access to diagnostics, therapists and other services that might otherwise be provided in a hospital context. If that happens, it means, frankly, that we have won the argument to the benefit of London. Everywhere else in the country, however, it seems that people are still being told to do something on the basis that it is the same as what is recommended in the Darzi report which was published in London, and even London now appears to be abandoning that. The collapse of the Government's policy seems to be nearly complete.

I hope that people working in general practice and primary care understand that we value what they do, and that we want to re-empower them by doing away with some of the top-down targets that the Minister spent all his time talking about. We want to give them the support that they need in order to deliver the best possible care for patients. We will make the accountability less to the bureaucracy and less to what the Minister wants them to do, and much more to patients, and we will build that accountability throughout the country.

4.10 pm

Mr. Neil Gerrard (Walthamstow) (Lab): I have been in the House for 16 years, and if I had to identify a service that I believed to have been transformed during that time, it would be the health service. In fact, that transformation has happened over the last 11 years.

I remember what primary care in east London was like in the mid-1990s. It was characterised by single-handed GPs working in totally inadequate premises, often houses that had been converted into surgeries. It was characterised by the frequency with which people found it impossible to register with a GP, because virtually none of the GPs had open lists. It was characterised by the fact that both GPs and patients were in absolute despair at what happened when GPs tried to refer patients to secondary care. The patients had to wait months and months for treatments or diagnoses.

I saw the difference myself earlier this year. I have visited my GP five or six times in the past year, which is more often than I had visited a GP in the previous 20 years. I saw how quickly my GP was able to secure for me the diagnostic test that I needed. The position of 10, 11 or 12 years ago had been completely transformed.

As for patient choice, in those days there was no choice. People waited. If there was a choice, it was this: they waited or they paid. That is the choice that faced people 10 or 12 years ago. I remember seeing people who were desperate to get treatment. They would say to me, "I do not agree with private medicine. I do not like private medicine. What should I do?" The alternative was to wait and wait and wait. Now, as a result of the local improvement finance trust programme, I am seeing new health centres with groups of GPs operating in them, and GPs being encouraged to invest.

A few weeks ago I visited a practice very near my home, where GPs demonstrated the investment that they had been encouraged to make in their premises to deliver better access and better services. They talked to me about the extended hours as well. I am very pleased that 39 of the 47 practices in my local PCT area are now offering those extended hours. I cannot understand for the life of me why anyone should think there was something wrong with that. Certainly none of the GPs to whom I have spoken think that there is anything wrong with it.

Mr. Lansley: As the hon. Gentleman is extolling larger practices and the benefits of extended opening hours and increased access for patients, can he explain why the GP patient survey shows that on all five measures—satisfaction with telephone access, 48-hour access to GPs, advance booking, appointment with a specific GP and satisfaction with opening times—the performance of small practices with fewer than 2,000 patients was better than the performance of large practices with more than 15,000 patients?

Mr. Gerrard: All I can say is that I observe what has happened on the ground. What I observe is that people are able to see their GPs more quickly, that they are seeing them in better premises, and that where GPs are grouped together, they frequently offer better access to patients than single-handed practices. That is not to say that single-handed practices cannot work—I can think of examples that work well—but I remember what it was like when we were almost entirely dependent on such practices.

For people who have jobs where they are paid hourly, taking time off during the week is not a trivial thing to do. It costs them money. Many people in permanent full-time jobs may be able to have a half-day holiday, but if an hourly paid worker takes half a day off, it costs them half a day's pay.

There are some issues about extended opening. GPs still have some issues with that. They need to sort them out and they need help with that. Obviously, if they are going to have extended opening hours, they will have to have receptionists and support staff there for longer. That is not always easy, particularly in smaller practices. Extended opening hours benefits patients. It certainly benefits local hospitals as it keeps people from attending accident and emergency when that is not appropriate.

We still have too many people who are not registered with GPs. In an area such as mine, that is partly because of the nature of the population. There are significant numbers of people there who come from cultures where primary care does not exist, or does not exist in a form that would be recognisable to them.

Non-registration used to happen because of closed lists and because people found it impossible to find a GP they could register with. Now, with the new GP contracts, the vast majority of my local GPs are opening their lists up and trying to attract patients. It is possible now for everyone to find a GP and to get to see them.

Mr. Bone: I am listening carefully to the hon. Gentleman. Does he agree that it could be different in different parts of the country? In my area, which is fast expanding, it is difficult to get on to a GP's list? One has to refer them to the primary care trust to force them on to a particular doctor's list, so I do not think that what he says is necessarily repeated across the country.

Mr. Gerrard: That may well be the case. However, what the hon. Gentleman has just described is what I was seeing until relatively recently. Until relatively recently, I would have had to ask the PCT to step in and to ensure that someone got on to a list. However, over the past year or two, I have seen a significant shift on that and many more practices are offering open lists.

I understand the points that have been raised about people wanting to see their own GP and forming a relationship with them. Of course that is true, but what is also important to many people is that they are able to be seen when they need to be seen. They value that as well as having a relationship.

There are still issues about appointment systems. I see great variation between one GP practice and another. Some run systems where they meet 48-hour targets and are able to deal with advance bookings. Others do not have systems in place that allow them to do that. A lot of that is about simple administration, getting better administration and getting the practices that are not delivering a proper appointment system to learn from the ones that are.

Mr. Stewart Jackson: I am listening to the hon. Gentleman's comments with great care. Obviously, he comes from the perspective of an inner-London constituency. Why is it, if things are so great, that it is only in the 12th year of a Labour Government that the Minister is promising to look at the quality and outcomes framework? If polyclinics or GP-led health centres are

[Mr. Stewart Jackson]

such a good idea, why has not the Department of Health decided to have consensus by piloting them in some areas and seeing whether they work first?

Mr. Gerrard: There are a number of issues there that I was not talking about, but I will come to the question of polyclinics in a moment. I want to finish my points about the appointments issue. One of the problems is that, when a practice does not have decent systems, is not delivering on appointments and could do so if it improved its administrative systems, PCTs are relatively powerless to do anything about it. They cannot impose systems on GPs. Therefore, when things go wrong, it can sometimes be difficult for the PCT to deal with that. However, we measure the targets on appointments across the whole PCT, even though it does not have direct responsibility for that.

I agree with some of what the hon. Member for South Cambridgeshire (Mr. Lansley) said about patient involvement, and I think it was a mistake to get rid of the community health councils, but we must be careful about the ways in which patients are involved and the ways in which we listen to patient opinions. In the past few years, I have come across examples where the PCT—and in one case the General Medical Council—was taking action against a GP and patients were protesting and signing petitions and coming to me and saying that that person was being extremely badly treated. In my opinion, the truth was that they were familiar with the standard of treatment they had been getting so they did not realise how appalling it actually was; they thought the GP was a nice person, and he might well have been, but he was not actually delivering much for them. However, just because of that familiarity, they assumed things were okay.

In terms of polyclinics, I would be absolutely against developments that led to existing GP practices being closed, as we want that relationship between GPs and patients to remain, but I also firmly believe that many tasks that have traditionally been done in hospitals can be moved out and be done efficiently elsewhere, and that one of the models through which that can be achieved is the polyclinic. My PCT will be among the first in London to have a polyclinic. That will be implemented on a hub-and-spoke model and discussions are already taking place as to how that might operate. GPs want to be involved, and it is perfectly possible that there will be a bid to operate that polyclinic from a consortium of local GPs. I would welcome that; I hope it happens, and if it does, I hope that it succeeds. It does primacy care services no good to set up an artificial argument between polyclinic and GP.

I want to raise a couple of specific points on access to primary care, the first of which relates to the quality and outcomes framework. A number of Members were approached on this by the National Osteoporosis Society, which was disappointed that osteoporosis was not included within that framework. I can understand that; whatever we include, there will always be other people who are disappointed that their particular interest is not there. One issue the society raised, however, was that there should be a new system for reform of the quality and outcomes framework involving the National Institute for Health and Clinical Excellence and patient groups, and that a consultation had been promised in autumn of this year. It was keen to know when that might take place, because it and other interest groups might want to have some input into it. Therefore, I would be grateful if the Minister could give us some information on that.

In May 2004, the Department of Health launched the consultation, "Proposals to Exclude Overseas Visitors from Eligibility to free NHS Primary Medical Services". That consultation exercise had a number of aims, including getting the rules on eligibility for access to primary and secondary care matched and ensuring that failed asylum seekers and unauthorised migrants did not have routine access to NHS primary care. I recognise that this is a complicated and sensitive issue, and that we cannot simply say that anybody can come here as a visitor and have whatever costly treatment they want—although I suspect that the most costly treatment would result from visitors accessing secondary rather than primary care, and I also suspect that some of the really costly stuff would result not from failed asylum seekers or unauthorised migrants, but from relatives of people who are already settled here. My concern, and I think that of a lot of health professionals, is the potential effects of denying access to primary care to vulnerable people. It could be argued that a failed asylum seeker should not get medical treatment, but if they have not been removed, it is an immigration problem and should be dealt with by the Home Office, not through the denial of access to medical care.

No decision on the consultation has been announced, even though it has been promised a number of times. Neither has there yet been even a report on the consultation results. The Department was asked by the Global Health Advocacy Project, under freedom of information legislation, for the results of the submissions that were made to the consultation and a list of those who made them. It released the list but refused to release the actual submissions. Some arguments about that are currently being made to the Information Commissioner, but I shall not pursue them now. On the basis of the list, a lot of the respondents were contacted, so we know what many of them said. It was clear from the responses that health professionals were concerned about the possible consequences of the denial of care.

Médecins du Monde UK, which runs a UK clinic, has produced a report pointing out that although GPs themselves might understand the current regulations, administrative staff do not necessarily. That has led to people who should have been treated, such as citizens of other European economic area countries or asylum seekers whose claims had not been determined, being denied treatment. Médecins du Monde's evidence suggested that service users coming to its clinic had been in the UK for an average of three years, which does not suggest health tourism. It also stated that the vast majority of the visits to the clinic were to do with primary care such as antenatal services rather than expensive, specialist care.

The real issue is the public health effects of denying access to treatment. People might have infectious diseases or conditions that are cheap to treat if they are caught early and treated by the GP, but if they are left will end up requiring emergency hospital admissions costing far more. If people are barred from access to GPs, they will end up in hard-pressed accident and emergency services.

As I said, we have not seen the results of the consultation. I hope that the report in *The Observer* last Sunday suggesting that the Government would not go ahead with barring access to primary care was right. I fully understand that we cannot have an NHS that provides expensive care free to the rest of the world, but if there is an immigration problem, we should deal with it as such through the Home Office, not by pressurising people to remove themselves by denying them access to medical care, particularly if the consequences are health risks to other people.

There have been huge improvements in primary care in east London in the past 10 to 12 years. There have been improvement in facilities, in people's ability to access them and in the secondary care that follows on. Referrals to secondary care happen very quickly now so that people can be treated. I do not want that to be marred by a wrong decision about vulnerable people. While they are here in the UK, we should allow them to receive primary care.

4.29 pm

Norman Lamb (North Norfolk) (LD): It is good to follow the hon. Member for Walthamstow (Mr. Gerrard). I agreed with much, but not all, of what he said. He made some important points about key public health concerns and on the basics of decency and humanity towards people who are in this country. I shall be interested to hear the Minister's response.

I also agreed with the hon. Member for Walthamstow that we must not allow ourselves to drift back to the access to diagnostics and treatment of the 1990s. The Conservatives will not be pleased to hear me say that their judgment that we should remove all targets and have no other mechanism to guarantee access to diagnosis and treatment is dangerous, and could easily lead to waiting times drifting back towards the lengths that we experienced in the 1990s.

Mr. Lansley: I thought it was Liberal Democrat policy to oppose top-down process targets, but the hon. Gentleman seems suddenly to have shifted. My view on patient choice and contracts is that where something is wanted, the primary care trust or the relevant commissioners contract for it to be provided; they do not have a Government target to make it happen.

Norman Lamb: I am grateful to the hon. Gentleman for giving me the opportunity to expand on Liberal Democrat policy. Our policy, which is based on how the system works in Denmark, is to give a personal entitlement to treatment within a defined period of time, which depends on the condition, and where someone does not receive their treatment within that defined period, it is paid for privately. That guarantees access for every citizen, irrespective of their income or wealth. Health economists tell us that in Denmark the approach has resulted in a radical improvement in the efficiency of state hospitals, and not in a great leakage to the private sector. I commend that approach to him—perhaps he should re-examine it. *[Interruption.]* It is not the patient passport at all, because the treatment is paid for in its entirety. Without any mechanism—either a target or an entitlement to access treatment—the great danger is that we will drift back towards having much longer waiting times.

This debate is timely, coming, as it does, on the day when the Healthcare Commission's annual health check report is published. It is worth repeating that we in this country have an immensely valuable network of primary care that we should cherish and build on, and, although each of us has concerns about various aspects of primary care and access to it, many other countries envy enormously our network of primary care.

The debate is timely, because the Healthcare Commission's chairman, Sir Ian Kennedy, pointed out that one of the key areas highlighted in the report was the need for improvement on GP access. He said:

"Primary care trusts must redouble their efforts in areas such as access to GPs and the provision of choice."

The reports refers specifically to

"poor performance clustered around major cities".

The report shows that the worst areas in London, where there has been a complete failure to meet the target, are the inner-city ones, where the need for access is perhaps at its greatest. The performance map for the whole country again shows that the areas of weakness and of failure are almost entirely clustered around the inner cities, where the need is at its greatest. Of particular concern is the situation in north-west and north-east England.

The report also refers to very "significant regional variation", beyond the concentration of failure in cities. It states:

"Six of the eight PCTs in the South East Coast SHA area achieve the access to a GP indicator, compared to only one of the 31 PCTs in the London SHA area".

There is massive variation in performance. The results are hardly surprising. As Lord Darzi said recently:

"Sadly it turns out that our current GP system has actually led to a larger inequality in the distribution of GPs across the country over the past two decades even as the overall number of GPs has increased."

The situation is still deteriorating. A Department of Health report earlier this year confirmed that two thirds of the most deprived fifth of PCTs are more than 10 per cent. below the English average for the number of GPs per 100,000 of the population, which is worse than the figures for 2002. In a period that has seen massive increases in investment in the health service, inequality of access to GPs—in relation to the number of GPs operating in an area—has worsened. For example, Barking and Dagenham, which is one of the poorest boroughs in the country, has 48.3 GPs per 100,000 of the population, but Devon has 81—or nearly double. In areas where need is greatest, access is worst.

What are the Government doing to redress that imbalance, which is bound to have an effect on health inequalities? Everyone signs up to the need to reduce the inequalities, but some of the things that have happened in the past 10 years are bound to have worsened the problem. That is why I described the Government's record as complacent: they have allowed this situation to continue for so long.

Although the hon. Member for Walthamstow sought to define the difference between polyclinics and GP-led health centres, the latter—at the very least—give the appearance of being embryonic polyclinics. They have many of the hallmarks of a polyclinic and many people struggle to distinguish between the two. The Minister confirmed earlier that the Government are committed

[Norman Lamb]

to introducing one GP-led health centre for every primary care trust, so what assessment have the Government made of whether that initiative will do anything to combat inequality of access? As the hon. Member for Banbury (Tony Baldry) said, if a polyclinic or GP-led health centre is placed in the centre of a city in a particular primary care trust area, it may do nothing to improve access for low-income communities that are some distance away. How well will that policy target resources at the actual problem?

The Minister also referred to the other initiative to introduce 112 new GP practices in some of the poorest communities. The announcement was made a year ago, at the time of the interim Darzi report. What progress has been made? The Minister said that it was happening, but when is it happening? What is the time scale for introducing the new practices, and what is the mechanism for ensuring their arrival? Is it ultimately down to the discretion of the primary care trust? How will the Minister ensure that he delivers that commitment?

I am pleased to hear about the start of the demise of the minimum practice income guarantee. As I have been saying for some time, that reform is welcome. However, the Minister said that it would be phased out, and reports of the agreement with the BMA also mentioned phasing out. What is the time scale for that? Can the Minister give a target date by which we will be rid of that mechanism for funding GPs, which he has agreed has nothing to do with quality or the extent of the challenge faced by GPs, and everything to do with historic payment mechanisms?

Let me move on to QOF—the quality and outcomes framework—which is the basis for incentivising GPs to engage in preventive health care and so on. In a booklet on inequalities of health care, the NHS Confederation specifically considered that subject. It described how the mechanism for rewarding GPs under QOF ends up giving more money to GPs in the wealthy areas—the leafy suburbs—than to those in the poorest areas.

It seems bizarre that a system that is presumably designed to help reduce inequalities and to improve the health of the nation should end up paying doctors more where the problem is least. It does so for two reasons. First, it is easier to hit targets if a patient base is middle class and everybody is informed, educated and understands the importance of preventive health care. They will go along for their screenings and so on. In a community where people are harder to reach, it might be much tougher to hit the targets and to earn the income under the QOF system.

The NHS Confederation also makes the point that the QOF formula remunerates practices with high disease prevalence at a lower rate than practices with a low disease prevalence. It states:

"The greater the prevalence of a disease, the less money the practice receives per patient."

The confederation concludes that the structure of the QOF payment disadvantages practices in deprived communities. I have raised the subject before. What are the Minister and the Government doing to remove that ridiculous distortion, which provides a disincentive to doctors to work in the poorest communities? Surely it should be precisely the other way around.

When will the Government consider ways of really incentivising GPs to work in the toughest, hardest to reach communities? It seems to me that the money should, as far as possible, be attached to the patient so as to encourage GP practices to take on more patients, and that there should be a premium attached for serving individuals from deprived communities—a sort of patient premium to incentivise GPs to work in those communities.

Next, I want to deal with the exclusion of osteoporosis from QOF. The subject has been mentioned by a couple of speakers. The independent expert panel made the case for osteoporosis to be included, and I disagree with the hon. Member for Walthamstow, who said that that was one more group arguing its particular interest. It is more than that. It is an independent panel that is designed to give dispassionate objective advice to the Government about what conditions should be addressed through the incentive scheme. The Government chose to ignore it.

Mr. Gerrard: I want to make it clear to the hon. Gentleman that I am not in any way disparaging what the panel is saying. It sounded as though he was suggesting that I was doing that. My point was that, inevitably, when decisions are made about what is and what is not included, various interest groups will always believe that their interest has somehow been ignored. The panel is making a perfectly valid point.

Norman Lamb: I am grateful for that clarification; we are clearly in agreement.

Let me quote the National Osteoporosis Society, which states:

"It is very concerning that this QOF review"—

the one that has just taken place—

"has not been subject to independent review and has been negotiated behind closed doors between NHS Employers and the GPC."

Why is that important? Why should osteoporosis be included in the QOF process? The answer is that the process offers crucial preventive healthcare: there are 300,000 osteoporosis fractures every year, and independent evidence suggests that it should be possible to cut that total by about 50 per cent. through the early identification of a problem and treatment to strengthen bones.

We have an extraordinary opportunity to reduce substantially the prevalence of osteoporosis fractures. The cost to the NHS and social care of treating fractures is some £2 billion a year, and fractures among people over 60 result in 2 million hospital bed days in England alone. Investing in preventive health care upfront could have a massive impact on the cost to the NHS, and it would also be critical in preventing the crisis undergone by patients who have to be admitted to hospital because of a fracture. When old people suffer a fracture, the result can be a permanent deterioration in health, as I am sure the hon. Member for Dartford (Dr. Stoate) can confirm.

Dr. Stoate *indicated assent.*

Norman Lamb: The hon. Gentleman nods in agreement. I therefore urge the Minister to look at ways of introducing osteoporosis into the QOF system, given the potentially massive benefits that could be achieved.

I want to ask the Minister about progress on extending hours. I have always believed that there is a benefit to be achieved by extending hours within primary care, and my opposition to the Government's proposals had to do with the way that they sought to impose them. The announcement earlier this week suggested that virtually no progress has been made in some areas, with just 1 per cent. of practices in Liverpool going for extended hours. I should be grateful if the Minister said why he thinks there is such enormous variation.

The pharmacy White Paper floats the idea that the current rules for GP practices with dispensaries should be changed. Such practices primarily serve rural areas but, taken together, the White Paper and the impact assessment appear to suggest that a GP practice could be forced to close its dispensary if there is a pharmacy within 1 km of it.

I want the Minister to understand just how strongly people in rural areas feel about that. The current service is remarkably attractive, as it means that elderly people with a GP appointment in the early evening can walk out of the building with their medicines and take them straight away. It is an immensely valuable service, and losing it could force an elderly person to make a separate journey, perhaps of some distance. That seems utterly crazy to me, as the impact assessment suggests that the change could result in 700 dispensaries closing, affecting 2 million patients nationwide.

Of great concern also is the possibility, which has been brought to my attention by local dispensing practices, that the change could undermine the viability of the range of medical services that such practices provide. Again, that would be to the detriment of people living in rural areas, and I urge the Minister to reject any change that would result in such closures. It would be a massively retrograde step.

I want to say a word about practice-based commissioning. The Government lauded that as an initiative with enormous potential to develop services in the community. They said that it would provide convenience for patients because often they would not have to travel a long distance to an acute hospital. Lower-cost care closer to home was claimed to be the great potential benefit that could be achieved. Yet when we talk to GPs around the country, we discover that the scheme has largely stalled. It has suffered in part as a result of the reorganisation of primary care trusts. PCTs have been inward looking for the past two years, with people worrying about their own jobs. So many GPs tell me that when they try to engage with their local PCT to get something moving on practice-based commissioning, they get no practical interest or engagement from them. If practice-based commissioning is to achieve the potential that all of us see for it, something has to change to allow it to grow from the bottom up.

The Conservative spokesman, the hon. Member for South Cambridgeshire (Mr. Lansley), referred to NHS dentistry. It is important to touch on that service. I shall confine my remarks to simply asking the Minister a question. When will there be a full and proper assessment of the impact of the new contract on access and on inequality of access? Great claims were made for the new contract and what it could achieve. The claims have not been met in reality. In many parts of the country, people on a low income and people who struggle to travel considerable distances have real difficulty in accessing an NHS dentist because there simply are not any available locally. There is an incredibly powerful case for revisiting the issue to make sure that the money available for dentistry within the NHS is deployed to the best possible effect and in particular to ensure access for those who do not have the luxury to be able to afford to go to a dentist privately.

If the Government's intention for today's debate was to crow about their record on access to primary care, it has fallen rather flat because the record is not good. The Healthcare Commission today has identified access to primary care as one of the big challenges that we face. Confidence among GPs is at an all-time low. I commended a survey undertaken by Norfolk Liberal Democrats to the Conservative spokesman. I will send him a copy later. When we asked GPs in Norfolk their view of the Government's stewardship of the NHS, 0 per cent. said that they were positive.

Dr. Stoate *rose—*

Mr. Lansley: One GP is positive.

Norman Lamb: Well, we will have to move him to Norfolk so that we can change the statistics.

Dr. Stoate: Does the hon. Gentleman realise that if I were to move to Norfolk there would be an infinite percentage increase in the number of GPs satisfied? That would be something of a Government target hit.

Norman Lamb: I accept the point. It is much needed by the Government because at the moment the percentage could not get lower.

Confidence in the Government's stewardship of the NHS, especially with regard to primary care, is at an all-time low. The record is not good. The Public Accounts Committee reported last week on the cost of the GP contract. The impact on productivity and the change in out-of-hours arrangements have also led to massive problems with access and anxiety among patients about how to access care. That has led, many reports conclude, to a mushrooming in visits to accident and emergency departments at enormous cost to the NHS—again, a counter-productive move.

Access to good-quality primary care, avoiding admissions to expensive acute hospitals, must have high priority. It is time that the rhetoric was matched by measures that will have practical effect and really change things rather than the Government just claiming that they want to achieve change.

4.54 pm

Dr. Howard Stoate (Dartford) (Lab): As the House is well aware, I am still a practising GP, so it gives me great pleasure to have caught your eye, Madam Deputy Speaker, in this important debate. I am sorry that more Members could not find time to be here.

Every Member who has spoken so far has mentioned quality and outcomes and has commented on the variability of services, which is where I want to concentrate my remarks. There is quite wide variability of services, and I want to look at why that is, what we can do about it and what is at the heart of that thorny question.

[Dr. Howard Stoate]

I do not want to rehearse all the figures and statistics released by the Healthcare Commission today. Members are aware of them and many of them have been mentioned already. However, one figure from a survey published by the commission in July 2008, based on interviews with 69,000 people in England, showed the variability that I am talking about. One of the things found by the survey was that the overall proportion of respondents who had waited two working days or more for their most recent appointment with a doctor had risen from 74 to 75 per cent. this year, which was a modest change. However, in the highest scoring trust, 89 per cent. of respondents said they were seen by a GP within two working days, yet in the lowest scoring trust only 43 per cent. of people had been seen within two days. That is a far more worrying statistic than any of the others I have heard this afternoon. Furthermore, 23 per cent. of patients who made an appointment felt that they should have been seen sooner.

Those findings have been picked up by the Patients Association, which said:

"The Patients Association continues to monitor access to GP services and Out-of-Hours care very carefully. We regularly hear of patients experiencing difficulties in obtaining a GP appointment or a poor service when trying to access out-of-hours care. We call on both GPs and Primary Care Trusts to ensure they are providing the highest level of care possible to their patients."

I am sure that plenty of colleagues in the House this afternoon will have been presented with examples from constituents of people waiting longer than they should to see a GP. The scenario where a patient rings their practice for an appointment and is told that nothing is available for the next three, four or five days, not just with their GP but with any GP, is one that I hear far too often for my liking.

We can argue about the Healthcare Commission figures. Only yesterday, I had a meeting with Anna Walker at which we tried to pick to pieces why there was such a variation in the figures and why it looked as though only 31 per cent. of trusts were able to achieve the GP access target. The answer seems to hinge to a large extent on whether we say to a patient, "Are you able to achieve an appointment in 48 hours?" or "Did you manage to actually get an appointment within 48 hours?" That is when there is a much lower response. The figures need more examination, although that is probably beyond the scope of the debate.

Norman Lamb: I hear the possible explanation of the difference, but does the hon. Gentleman accept none the less that the greatest problem, whatever the measure, is in poorer, inner-city areas?

Dr. Stoate: I entirely accept that point, which is important and worthy of closer examination, and I want to develop it in more detail.

Many patients—often vulnerable ones—tend to accept what they are told. If they are told, "There's no appointment, come back tomorrow morning and you might be able to get one", they often do so. They are thus less likely to appear in the figures as missed 48-hour appointments. Other patients who may understand the system better and say, "I know I'm entitled to an appointment within 48 hours"-are more likely to be given one. That explains to some extent why people in more disadvantaged areas are more likely to accept what they are told and less likely to demand their rights than those in areas with more vociferous and middle class patients.

It is entirely possible for practices, perhaps unwittingly, to deflect patients for 48 hours, and such patients would not be picked up by the surveys. It would thus appear that they were performing better. I find it difficult to accept that situation. Why can many practices—it is probably even the majority—provide a perfectly good service? They have no difficulty whatever in combining 48-hour access with appointments booked two weeks in advance. Why do so many patients and practices have no problems, whereas others seem to run into difficulty time and time again?

We need to go back a long way and look at the origins of primary care in the health service in 1948, when, as Members know, independent contractor status was conferred on GPs. The system has served the UK remarkably well. It has managed to ensure that because GPs are independent contractors—in effect, private businesses working on a profit and loss account—their only payment mechanism is the bottom line of their practice profits. Those profits are the GPs' income, because there are no shareholders; the GPs share the profits as directors of the company. That has had an enormously beneficial effect on British general practice, and it explains why it is still one of the envies of the world. It is fantastically cost-effective. GPs are focused on what they do very well indeed and the system is extremely cheap, which is one of the things I want to consider. Our system, which is cheap, cost-effective and has served us well, has also allowed quite marked variations of practice and circumstances to build up. Let me suggest one explanation for that.

Remarkably, over that time no Government have seriously challenged independent contractor status, and no Government have seriously looked behind it at exactly what it means. In fact, what it boils down to is that GP practices have been taken for granted. It has just been assumed that GPs are professionals, do a good job, look after their patients, do what they need to do and produce reasonably good outcomes. No one has ever looked beyond that.

On the one hand, depending on which side of the fence one is sitting, one might say that that is a huge vote of confidence in the British general practice system, which has served us well. Others might say that it is mind-bogglingly complacent, because no one has ever looked very closely behind it. It is hardly surprising, therefore, that quite a variable quality has been built into the system.

Under the old red book system, GPs were remunerated in a way that was purely beancounting. They were paid according to the number of patients and of services provided. One added them up on paper and sent the piece of paper off to what was then the family health services authority, and it sent back a cheque each month. That was that.

The 1990 contract, introduced by the Conservative Government, extended that arrangement a bit by producing 27 outcome measures. GPs fulfilled those measures: they sent their pieces of paper off; they got paid. They were process measures, not output measures. They looked at how many patients had their blood pressure checked,

how many had a new patient examination and how many had been given advice for obesity. Not once were GPs to produce any evidence that they had done any good by that method.

All Members in the Chamber this afternoon have spoken about quality and outcome, yet the words "quality" and "outcome" effectively did not exist until 2004, with the new GP contract that this Government introduced. For the first time, GPs were measured on the quality and the outcome of what they were doing. The indicators in the QOF are all evidence-based. They are all carefully thought through by a panel of independent experts; agreed between the profession and the NHS Confederation as being the right indicators; and carefully monitored. The question is not how many patients' blood pressure has been measured, but what percentage of those patients have blood pressure within a certain range—what percentage of diabetics, for example, have cholesterol levels below 4, not how many people's cholesterol levels have been checked. The intention is to measure the number of patients whose measures have been improved, thereby leading to improved patient outcome on an evidence-based system. Ironically, although all hon. Members on both sides of the Chamber bang on about the need to improve the QOF, before 2004 it had never even been properly considered. This Government deserve a huge vote of confidence for doing that.

I should like to take issue with my GP colleagues, but not only with them. There is variable quality, and some of it is down to GP practice; sometimes GP practices could, should and must do better. I intervened on the Minister to draw attention to the problem of 0844 numbers, which is an example of where GPs have not been very friendly to their patients. He needs to look at that. It is obvious to me that some GPs could and should do more, and I believe that with a bit of incentive they probably will be able to sort that out. The fact is, however, that we have allowed the variability to continue for too long.

Mike Penning (Hemel Hempstead) (Con): The hon. Gentleman is very generous in giving way. The undertaking that he is asking for from the Government, and particularly from the Minister, to abolish the use of 0844 numbers was given by the Under-Secretary of State for International Development, the hon. Member for Bury, South (Mr. Lewis), some time ago, when he was a Health Minister, and nothing has happened.

Dr. Stoate: I accept that. I also accept the Minister's assurance that the matter is being looked into by the Government. I await, as does the hon. Gentleman, the outcome of the Government's deliberations, and I hope that this will be sorted out quickly. I think I have explained why there is so much variability, why practices have such different approaches, and why some provide services that are not up to the standard that we would like to see, whereas others motor ahead and produce everything that the Government want.

The Minister mentioned the MPIG or minimum practice income guarantee. He is right to say that it was an historical device to ensure that when the new GP contract was brought in, no practice would suffer huge financial loss as a consequence—at least for the first three years, until its practice income had taken off and it had managed to produce income from elsewhere. However, I would counsel caution. We must not simply dump on GPs more and more of the work that they are currently unable to do, because it simply will not work if the Government expect GPs to work even harder to recoup income that will be removed from them when the MPIG goes.

Let us consider the average working day for the average doctor. It is a sobering thought, and I want to share it because I think it is important. The average GP sees 35 to 40 patients a day. At 12 minutes or so per appointment, that is six or seven hours of consulting time. On top of that, they make home visits, of which there may be an unlimited number. They also have to undertake medical examinations for people requiring HGV or taxi-cab licences; write referrals to hospital consultants if a patient needs to be referred; and read and action all the letters that come in during the day to the practice from consultants who are treating their patients in hospital. They have to action pathology reports and electrocardiogram reports that come into the practice on a frequent basis, and they have a sea of repeat prescriptions to write for people who remain on medication. On top of that, the majority of GPs run clinics for child health surveillance, minor surgery, maternity care, diabetes, dermatology and joint injections. The majority of GPs are involved in teaching or training the next generation of GPs, and on top of that, they are expected to keep abreast of recent developments and ensure that they are up to date with the best possible medical practice and the latest Government missives. That is a pretty daunting work load. If we embrace the idea that a GP can simply do more because the incentives and QOFs have changed, the MPIG is going and there is a lot more work from extending their hours into the evenings and weekends, we have to be careful lest we kill the golden goose simply by putting more and more on to already hard-pressed practitioners.

I should like to say a word or two about the Government's relationship with GPs. I have been critical, with good reason, of some aspects of GP performance, but the opprobrium that has been heaped on GPs in recent months by the media and other groups is undeserved and counter-productive. GPs are well rewarded under the terms of the new contract, and there are justifiable questions about how the profession has been allowed to dispense with out-of-hours services so lightly and with so little penalty. However, it was the Government who signed off on the deal, and much of the responsibility for the shortcomings in the contract must lie in their hands.

Blaming the profession for having the temerity to make a good deal and then looking for ways to recoup the money that was spent on the contract is not a tenable long-term position for the Government to take. In a letter sent to me after a recent meeting, a group of GPs in my local area commented:

> "You expressed the view that the Department of Health had a high regard for general practice, and saw GPs as a key component in the redesign and modernisation of the health service. The general feeling from my colleagues was that the Department of Health had a very strange way of demonstrating their regard for general practice, as demonstrated by their public pronouncements and attitude."

That group of GPs is not a recalcitrant minority that is anti-reform and dismissive of the need to change—quite the reverse, in fact. They are progressive practitioners who are doing their level best to work with the Government to improve access and delivery of services.

Norman Lamb: I completely agree with the analysis that the hon. Gentleman has offered. Does he think that that sort of thing has led to this extraordinary loss of confidence among general practitioners in the Government's stewardship of the NHS, which I am sure he accepts has taken place?

Dr. Stoate: Well, that has been hyped as well, because personally, I do not see the complete loss of confidence that the hon. Gentleman mentioned with regard to his area of Norfolk. I obviously cannot comment on his local GPs, but my local GPs have not completely lost confidence, and neither have the GPs with whom I work closely up and down the country, those who write or phone me, or those with whom I work on many groups on medical matters. However, I accept that GPs' thoughts about the way in which things are going has taken a knock. I should like the Minister to clarify the Government's position and make the case that they are not anti-GP; they are not trying to bash the system, but simply trying to get better care for patients.

I have given the House examples of cases in which GPs have felt undervalued and taken for granted. I do not think that the Government are going to win any friends among GPs unless we try to redress that important issue. During these difficult financial times, Ministers may believe that GPs will not win any friends by complaining about their pay and conditions. That is a fair point, but a damaged relationship between Government and GPs will have long-term consequences. We have seen examples of imported, privately contracted "para-GPs" who work 9-to-5 shifts with a half-hour break, providing GP services for patients in areas where there is a shortage of GPs. Their turnover rate is impressive and at one level they provide good value for money. They get a good throughput of patients, but whether patients are satisfied with that type of medicine and consultation is another matter. I do not believe that that is the way to proceed. Asking GPs to do more all the time without appropriate resources will not only alienate GPs; ultimately it will damage patient care and prevent GPs from being able to rely on the prevention and early detection of disease, which it is important that they do.

I am in favour of the GP-led health centre model, as I have said on a number of occasions. A group of GPs in my local area has just been awarded a contract from a company to provide an out-of-hours centre and a GP-led health centre in Ebbsfleet, which is a fast growing area of my constituency. Those are the very GPs who are keen to progress, work with the Government and see the Government's model pursued.

Mr. Bone: I am interested in the point that the hon. Gentleman makes. The centre that he describes seems similar to something in my area. Was that group of doctors engaged in that activity before the Government imposed their target for one such health centre in each PCT? Does it pre-date that target?

Dr. Stoate: No. It was a response to the Government wanting to put a GP-led health centre into my area. The GPs have taken up the idea with a vengeance. They have seen that there is a gap in provision in the area. There is a new development around Ebbsfleet International station in my constituency, which will see many thousands of new houses and businesses moving into the area, and they recognise that there will be a need for new health facilities in the area. My local hospital has also looked forward to the expansion of its services as the population rises. That is entirely natural.

What is important is that the GPs feel themselves to be supported, properly resourced and adequately advised by the primary care trust to make sure that the scheme is a success, because they want it to be a success. My point to the Minister is that if we are to make sure that GPs are willing to pick up the baton and run with it and produce extra services, we must send out a message that we are supporting them in the same way as we expect them to support their patients. I have heard from Members in all parts of the House that currently there is a real gap between the thinking of GPs who want to get on with the scheme and their perception of how the Government see them. That leaves something to be desired. I hope that my hon. Friend will look into that.

The hon. Member for North Norfolk (Norman Lamb) mentioned the Dispensing Doctors Association and the view that we should be careful about how we handle dispensing practices. I am pleased that the consultation leaves four options open, and that the Government do not yet have a preferred view on how dispensing practice is dealt with. It is possible that when the consultation is finished, things will stay as they are. I emphasise that dispensing practices are a useful resource in some rural areas and provide a very good service to patients. I would like to make sure that that is not damaged.

The other side of the coin is to ensure that pharmacy also has good access to patients. As has been mentioned in the debate, pharmacists can and already do provide a range of services that is expanding all the time and can be an important part of primary care delivery in the front line. I am pleased to see them expand those services. I am pleased, too, that the Government took seriously the report on the future of pharmacy from the all-party pharmacy group, which I chair. The report has received favourable comments from Ministers and I am pleased that they have examined closely some of our suggestions on how pharmacy might be progressed. That is a positive development.

GP patient access is fundamental to how people see the health service. General practice is the front line of the health service. Ninety per cent. of all care takes place in a primary care setting. The majority of people see their GP or their GP practice three, four or five times every year. If we can ensure that we build on general practice, not only can we improve patient outcomes and patient well-being, but we can keep hospitals free of cases that are less serious and ensure that they can get on with the heavy duty and high-tech cases that only they are equipped to deal with. If we get that right, we will have a health service that we can be proud of and continue to be proud of into the future. I am sure that that is what everyone in the House wants and what Ministers want.

5.14 pm

Dr. Richard Taylor (Wyre Forest) (Ind): It is a delight to follow the hon. Member for Walthamstow (Mr. Gerrard). Having trained in London rather a long time ago, I know what the standard of general practice was then, and I am very pleased to hear that it is so much better.

I am delighted to follow the hon. Member for Dartford (Dr. Stoate), because he has removed the need for some of what I had intended to say. I had intended to stand

up for GPs, because their morale is incredibly low. Indeed, after I talked to my GP he sent me a few thoughts:

"Why are we under attack when we are efficient, good value for money and valued by our patients?"

His practice spends precisely 2 per cent. on management, because the doctors do most of the management. This is his perception:

"Government has no idea of what we do and what we achieve. The fiasco of out of hours shows this. As did our over performance in QOF. Which should be a thing of celebration not criticism.

Consultations are now highly complex. Minor illness is dealt with by nurse practitioners. We are dealing with complex cases inadequately supported by the acute trust".

My GP's description supports what the hon. Gentleman said about timings in the day almost to the minute. GPs start work at about 7:30 am and finish at 6:30 pm. Six hours and 40 minutes are taken up in consultations, with 34 patients seen, but GPs are also engaged in making telephone calls, writing referrals, looking at reports, making home visits and so on. They therefore fully justify their pay. I hope that the Minister will acknowledge that to make GPs feel a little less disregarded and insufficiently appreciated.

I know that our time is limited, so I will focus the rest of my speech on out-of-hours care, which is crucial. Access to out-of-hours care, which is not the function of A and E departments, is what has really brought the Healthcare Commission ratings on emergency care down. Years ago, GPs provided out-of-hours care, which meant that they were working night and day, which was not very good. As a patient, one felt guilty about ringing up a GP in the middle of the night, knowing that they had been working all day. Then we had the local co-operatives, which were excellent. They were a conglomeration of the local GPs working together in a rota to cover the nights, so that they did not have to work in the day as well.

Unfortunately, we lost the co-operatives when the contract was introduced. It was amazing that GPs were no longer expected to work at weekends, which meant that PCTs had to provide out-of-hours care. However, in my area and many others that has not been a success. I am pleased to say that the PCT in my area realised that it had to reform the service, which was put out to competitive tender. Rather to my surprise, a conglomerate of GPs from Suffolk has taken over the provision of out-of-hours care in the whole of Worcestershire.

I am so far very pleased with the intentions of that firm, although I am going to follow its progress closely. There is a bit of a flaw in the contract, which was short sighted but understandable, in that the firm covers only the patients of GPs registered in Worcestershire. Unfortunately, the rest of my hospital covers the area right on the Shropshire border, so when patients from Shropshire, from as little as three or four miles away, turn up in the middle of the night with something rather nasty, the firm says that it cannot take them, because the contract is not with the Shropshire GPs. I am looking into the matter, because it is in the firm's interests to take more people, because it will get the money for doing so. That was a difficulty with the contract when it was first written, but I am optimistic that it will be improved.

The one thing that would most helpfully improve out-of-hours care has been mentioned, which is a single telephone number. If people are really desperate, 999 is fine, but we want another number. As I have said before in similar debates, people do not know whether to contact out-of-hours care or go the minor injuries unit, the A and E department or the walk-in centre. They do not know who to ring, so we want one number. In previous debates with the Minister, he has said that he is looking into the supply of a single number.

An organisation called NHS Pathways operates a brilliant triage system that has been trialled in various parts of the country, and those trials have been successful. I have here the minutes of the AGM of the North East Ambulance Service NHS Trust, where NHS Pathways was trialled:

"The year also saw confirmation that the clinically-based assessment system—NHS Pathways—was a safe and efficient method of call handling…The clinical evidence-base underpinning it means NEAS is in a position to assess calls from a much wider range of patients, not only those who have chosen to access the '999' number, and to use alternative pathways of care that can be referred to from the system that is most appropriate for the patient's needs."

The trust has already noted areas of "significant improvement", including a "considerable reduction" in the number of patients going to A and E departments unnecessarily.

NHS Pathways is a marvellous triage system, and if it—or something similar—could be accessed from a single phone number, it would be a huge help, particularly for out-of-hours care. I should very much like to find out from the Minister whether he will push NHS Pathways as a useful form of access, and whether we can aim to have a single number.

5.22 pm

Mr. Peter Bone (Wellingborough) (Con): It is a pleasure to follow the hon. Member for Wyre Forest (Dr. Taylor), who, as usual, has made some powerful and important points about the health service. I start by thanking GPs across the country for what they do. I know that we are discussing access to primary care, and that we have totally ignored dentists, whom I would like to mention briefly. GPs are valued by my constituents, and not least by me and my wife, as one of them effectively saved my wife's life. It was an advantage in that situation that the GP knew her, because she had been a patient for a number of years. Many of the GPs in my area are concerned that, if we were to introduce GP-led health centres, that continuity might not continue.

Age Concern is also worried about that. That matter has not really been touched on in the debate so far. Age Concern states:

"Many older people value the continuing relationship they have with their GP—that must be retained in any reform of the system. We would therefore want a commitment that the personal GP patient relationship would be protected."

That is extremely important. Another point that Age Concern makes is rather the reverse of the Minister's wish to make more time available to patients in the evenings and at weekends, so that people who go out to work can have access. Age Concern makes the very fair point that it wants to ensure the same amount of weekday availability for the people whom it represents, because that is when older people want to go to see their doctor.

The hon. Members for Dartford (Dr. Stoate) and for Wyre Forest are both GPs, and they have made the point that GPs work exceptionally hard. If we ask GPs

[Mr. Peter Bone]

to work in the evenings, they will take time off in the daytime to compensate for that—it has to be that way. A local GP from Finedon in my constituency came to see me and told me that the new system was absolutely nuts. He has a surgery during the day and anyone can come along. He sees patients during the day, but now he has to open his surgery one night a week and sit there with his practice manager while nobody comes to see him. It is a pointless exercise.

If I have learned one thing from this debate, it is that there is a huge difference around the country and that one idea or size does not fit all. When I grew up, if I needed to see a doctor, I saw one whom I knew. We could ring up, make an appointment and we would get seen. If I needed to go to the dentist, I would make an NHS dentist appointment, and I would be seen. If I needed to go to hospital, it would be arranged through my local doctor. If I was ill in the evening, the local doctor would come out. I remember that I once needed to see a doctor on Christmas day, and the senior partner in the practice came out to see me. All that was under what many Labour Members like to portray as the wicked old days of the Tories, but it seemed to me to work well. What we should do is build on a system like that rather than apply top-down approaches. I understand that the Minister has adopted those approaches for the very best motives, but I just do not believe that they will work. Why not let existing GP practices expand and develop services that are relevant to their areas?

Dr. Stoate: As I have said, the answer to the question is that there is great variation. The good practices will no doubt pick up the baton and provide everything that the Government could possibly dream of. However, the hon. Member for North Norfolk (Norman Lamb) has pointed out on the basis of surveys in his area that there are far too few practices—sometimes as few as 1 per cent.—able or willing to do that. We must try to reduce the variation.

Mr. Bone: I am grateful for that intervention, which adds to my point that there are big differences around the country. My argument is that imposing one GP-led health centre in every PCT is not right.

This morning, three hon. Members who are currently in their places were sitting in the Health Committee. We heard that the Government have found £250 million of taxpayers' money to inject into primary care. However, £150 million is going into a minimum of one health care centre per PCT, and we do not know how the other £100 million will be divided up. I was trying to understand the best way of allocating that money so that it was focused on the areas that needed it most, and I suggested a very simple system.

The Government devote a lot of time, concern and expense to working out—on the basis of deprivation, growth and other factors—what each and every PCT needs as a minimum, but they do not fund every PCT to that level. Because some areas are overfunded, others are underfunded. My Northamptonshire PCT happens to be the worst funded in the country, so I declare a certain interest in finding a solution. Surely it would be better to take this £250 million and give it to the PCTs that are underfunded according to the Government's own criteria, and then let them develop local solutions to their problems.

I have another idea for raising some extra money to put into the pot. Why not get rid of the strategic health authorities? I cannot see that they do anything other than push pieces of paper about and tick boxes. The only criterion that an SHA takes into account as making for a good PCT is ticking all the boxes; it does not take local need or local decision making into account. What we should do is get rid of all those pen pushers, take this money and put it into primary access.

Dr. Richard Taylor: Towards the end of this morning's Health Committee meeting, we were all convinced of the value of SHAs, because they carried out the consultation for Lord Darzi's review and canvassed the views of patients, citizens and staff. I changed my mind about the SHAs at the end of that meeting.

Mr. Bone: I certainly did not. My opinion was the same at the end of the meeting as it had been at the beginning. The witnesses confirmed all my thoughts about bureaucrats wasting time and money.

Talking of surveys, I run a tracking survey in my constituency. It is called the listening survey. One of the questions is "What concerns you most?" Health is always one of the two top issues. There are so many other issues—council tax, pensions, education, immigration, which is a huge issue in my area, and overdevelopment—but health is always first or second.

Mike Penning: Does my hon. Friend think that if he asked his constituents whom they respected most, GPs would be quite high on the list—higher than Ministers or Members of Parliament in general?

Mr. Bone: I should hate to include that question in my survey. If I asked "Do you value your GP or me?", it would be like the election return in an African republic: 100 per cent. would value the GP and none would value me. So, with all respect to my hon. Friend, I do not think that I shall include that question.

The question "Why do people put health first or second?" leads to another question. A number of Members have said that many people make their local hospital their first call, because they can obtain primary care in the accident and emergency department, and they are not sure where they should go or cannot see their GP. I only wish that we had that option in my area. We do not have a hospital, although an area of that size should obviously have one, and if my PCT were funded correctly, it would have one.

As for access to GPs, Wellingborough has one of the worst GP-patient ratios in the country. Because the town is expanding, people coming into it cannot get on to GPs' lists. They have to be forced on to them through the PCT. Again, the position varies considerably around the country. I feel that rather than there being all these plans and targets, money should be found to provide more GPs. We are lagging behind the rest of Europe when it comes to GP numbers. We are asking GPs to do more—to work longer hours, or to work at weekends and take time off during the week to compensate—which is not at all helpful.

On average, a GP sees 34 patients a day. Goodness me! I shall sit down at 9.30 tomorrow morning, and after I have seen 12 of my constituents, I shall be

completely worn out. The fact that our GPs see 34 people who are really ill in a single day is an extraordinary testament to them.

Out-of-hours access is never an issue in my constituency. The doctors—or the doctors and the PCT—have worked it out. Many surgeries stay open in the evenings, but, as was mentioned earlier, there are doctors' co-operatives running night-time services. I have a seven-year-old. He was ill one night—not ill enough for us to dial 999 and take him to a hospital, but ill enough for us to ring NHS Direct, which told us that we should use the out-of-hours service. When we went to the out-of-hours service, we were seen very quickly and it was a first-class service. In my area, there is no demand for polyclinics or GP-led health centres, but the Northamptonshire PCT had planned to put three in the county. Sense has prevailed and that has been knocked back to one, which no one seems to want.

The hon. Member for Dartford made a strong case about how GPs in his area were embracing the scheme and bringing it forward. That is the way in which it should happen. If people want to do it, they should do it. In my constituency, there was a doctor's surgery that was already planning to move to a bigger location and to add services. That is the sort of thing that is evolving and should be encouraged, but local doctors are concerned about funding.

The Minister will probably pull me up on this, as I will not use the right terminology, but, as I understand it, if there is a polyclinic or a GP-led health centre in the town, it will attract people because of the out-of-hours service and the seven-days-a-week service. People will register with that centre, which is how it will be funded in due course, and move away from existing surgeries. It is rather like cherry-picking. The people who tend to be healthier will go to the GP-led health centre and my surgeries will be left with the more difficult cases—namely, the elderly and the young. Those surgeries have to spend more time on them, but because it is a per capita funded system, their income will go down. Therefore, they will spend longer with the patient for less money and not be able to develop their services. That cannot be what the Government planned. If I have that totally wrong, I would like the Minister to tell me in his winding-up speech. That issue really concerns local doctors in the area.

I want to move away from GPs, because, in many respects, the problem is not as serious in my area as it is elsewhere. What is fundamentally wrong and driving people up the wall is NHS dentistry, or should I say non-NHS dentistry? Like thousands and thousands of people in Northamptonshire, I have had to take out private insurance to continue to see my dentist. When I talk to my dentist, he makes a powerful case. Admittedly, he is standing over me with a drill at the time, but he makes the case strongly that the Government have forced him to do what he has done. Here am I and thousands and thousands of others paying through taxes for an NHS dentist, yet there are no NHS dentists in the area and I am paying £48 a month extra for insurance. That cannot be right. That cannot be how NHS dentistry should work.

The Minister said nothing about dentistry in his opening remarks. I am sure that that was not an oversight. I think that he wanted to avoid a hugely embarrassing situation. The one thing that I can say with certainty is that NHS dentistry is worse now under this Labour Government than it was under Margaret Thatcher.

Many things may have improved in the health service—if funding for the health service is increased in real terms by 82 per cent., things should improve. The fact that most of that money has been wasted and that we have seen only a 23 per cent. increase in outcomes is down to the Government's inefficiency. The fact that the median waiting time is still longer under Labour than it was under the Conservatives is a minor point when we are talking about access, but the Minister has to answer this question: why is it that my constituents and others in Northamptonshire cannot see an NHS dentist? If one rings up and says, "I must see an NHS dentist," the reply is, "If you do not mind going out of the county, you can see one." That is the reality of NHS access in my county.

5.39 pm

Mike Penning (Hemel Hempstead) (Con): It is a pleasure both to wind up on behalf of Her Majesty's Opposition in this important debate, and to follow three members of the Health Committee. Having left the Committee myself only just over a year ago, I know how diligently they work. The Health Committee is one of the great Committees in this House, and I do not hold back in my praise of it—although I wonder whether the Minister might drag himself away from his notes for five seconds and listen to a contribution this afternoon? *[Interruption.]* I may tease him a bit more, as I have now got his attention.

Interestingly, the Minister was, I think, referring to spin when he complained about the coverage of the Healthcare Commission report in this morning's press. That is astonishing coming from a member of a Government who have welcomed back into their ranks Lord Mandelson, a man who got his reputation from practising the black arts of spin in the 1990s.

Perhaps I can tease the Minister a little more? On page 68 of that report, reference is made to an access to a GP indicator. The report is not as definitive as it might have been because some areas refused to return any data. One such area was Devon, which is run by the Minister's own primary care trust. It is a shocking indictment of the Minister that he cannot even control his own PCT by getting it to give data back to the commission, let alone understand what is going on. The Healthcare Commission report is timely—although I am sure the Government were not expecting it to be published at this time when they timetabled this debate for this afternoon.

I will try not to go over the points raised by the shadow Secretary of State, my hon. Friend the Member for South Cambridgeshire (Mr. Lansley), but instead I shall cover some areas I have a personal interest in and some responsibility for. I will come on to urgent care and dentistry, which my hon. Friend the Member for Wellingborough (Mr. Bone) referred to, and polyclinics.

However, I must first highlight something. If Ministers come before the House and make commitments to Members and to the country that they will address certain matters, the public have the right to expect that to happen. Therefore, given that the former Health Minister, the Under-Secretary of State for International

[Mike Penning]

Development, the hon. Member for Bury, South (Mr. Lewis), came to this House and promised he would address the 0844 number issue—which is leading to our constituents being ripped off when they phone their GP surgeries—and that that practice would stop, it is astonishing and unbelievable that, in this later debate, Labour and Opposition Members have highlighted the problem of patients still paying these charges.

We must also address the fact that the Government have gone to war with the GPs. I do not understand why, as the Government brought in the new contract in 2004. It was not written by the GPs or the Opposition; it was a Government contract for better health care in GPs' surgeries. The GPs took it and delivered it to their patients, but then the Government started to attack GPs throughout the country. The hon. Member for Dartford (Dr. Stoate) was absolutely right: morale is not great. For the first time since I have been involved in politics, all the GPs in my constituency have come together with the community to complain about what is going on in health care.

We should briefly address the polyclinics issue—although I know the Government do not like to call them that. The Prime Minister stood at the Dispatch Box and said there will be 150 polyclinics in London. The Darzi report said that, and the Prime Minister said it would be imposed in London. Rightly, London is revolting against that, and areas of London say they are not going to have them. In some areas in London and the country a polyclinic might be a good thing. I listened to the comments of the hon. Member for Dartford; if he has an expanded area and there is no existing provision in it, a polyclinic might well be a good way forward in that part of his constituency. However, it is clear from other Members' comments that in the other parts of the country where they are being imposed, it is not right that they will be plonked down in the middle of an area regardless of whether there is a need.

I am sure the Minister is aware that I will raise the issue of the polyclinic that is being imposed in the middle of Hemel Hempstead town centre. Every GP surgery has signed an open letter to the PCT, along with myself and the patient groups in the town, saying, "Please do not impose this on us."

Not one GP surgery in that part of my constituency has a full list. The other evening, I purposely made a 7.30 pm appointment with my GP at one of those surgeries, just to see what demand there was. I could have gone at another time of day, but I booked online and went at 7.30 pm. How lonely I was. I got there five minutes early and was seen five minutes early, because there had been no patients in for the previous half an hour. There was no one booked in after me either. There were two receptionists on duty—quite rightly, because they should not be left alone in that situation at that time of night. The pharmacy attached to the surgery was open, and my GP was there. I saw my GP, and we then left and had a conversation about a lot of other things. The demand is not there. If it were, the surgery would be open at that time day in, day out. The polyclinic is to be only 200 yd to 300 yd away from there.

There are parts of Hertfordshire, in the same PCT area, that might well need such a clinic in future. Some 80,000 homes are being imposed on Hertfordshire, not least 18,000 in my constituency. If those homes are to be built, a polyclinic might well be the right vehicle for delivering primary care to my constituents, but to say that one size fits all around the country is wrong.

I was interested to hear the hon. Member for Dartford, who brings his expertise to the subject, say that GPs have got together to run clinics, but in most parts of the country they are being prevented from doing so. Two of the GP surgeries in my constituency would probably like to join together to run a clinic rather than compete, but they are being prevented from doing so.

I shall touch on a couple of points that hon. Members have made before turning finally to dentistry. The hon. Member for Walthamstow (Mr. Gerrard)—I know that part of the world well, having grown up there—rightly said that there are good GP surgeries and bad, and that some offer more services than others. I am sure that he is aware that because of how the funding formula works within PCTs, some GP surgeries get double the money that others get.

I was interested by the Minister's saying that one reason for the problems in delivering primary care was the reconfiguration that had taken place around the country. There may be an argument for that, although I have not heard that one before, but in London there was no reconfiguration. The PCTs were left in situ as they were before, so that argument does not stack up.

I agreed enormously with the hon. Member for North Norfolk (Norman Lamb), the Liberal Democrat spokesman, when he talked about his own surveys. We are all doing that type of survey—I am sure that it is not just a Liberal Democrat thing. We all try to make contact with our constituents and find out their concerns. GPs are not happy, and they feel as though they are being persecuted even though they are delivering front-line services to our constituents in a most professional way. Where there are problems, they are for the PCTs to address in their commissioning. That is their role in life.

I was slightly concerned when the hon. Gentleman talked about the Liberal Democrats' policy that if patients are not treated in a timely fashion, they should be able to go off to the private sector. I would like to see the costings for that, if the Liberal Democrats would like to publish them. It sounds as though they must be quite phenomenal.

Norman Lamb: I mentioned earlier that that policy was based on the Danish system. The evidence from Denmark is that it has massively increased efficiency in the state sector, thereby saving money.

Mike Penning: We examined the methods in other countries in the Health Committee, but a completely different type of health care is provided in Denmark, Sweden and other countries.

As always, it was a pleasure to listen to my friend the hon. Member for Wyre Forest (Dr. Taylor). He is renowned in the House, and particularly in the Health Committee, for his expertise. It is very important that we all understand the type of care that our constituents want. They do not want to go and meet a stranger, or see a different GP every time they need some care. They want the relationship provided by years of work together, often down the family line. Although GPs in Worcestershire were pressed, it is a crying shame that GPs from other parts of the

country are coming down to Worcestershire, because Worcestershire GPs probably understand the hon. Gentleman's constituents much better and would represent the way forward.

We are pressed for time, but I want to make a couple more comments. The hon. Member for Wyre Forest alluded to the fact that we must address the out-of-hours urgent care system. So many people are frightened and need help, and they do not know the myriad numbers involved. I know that NHS Direct has tried desperately to get its number into the public's perception, but people still do not know it. The branded number that people know, 999, is sadly being abused on a daily basis. We must get another number branded quickly, before these numbers disappear—the European Union is progressing with these 116 numbers as we speak. He also mentioned the important NHS pathways software, and I have seen it working brilliantly in the north-east.

My final point is about dentistry, which is the part of primary care missing from the Minister's speech. It is crucial that this Government address the mess that they have created by imposing the dentists' contract on this country. So many people cannot see an NHS dentist, but they deserve to do so, because that is what they pay their taxes for, and so it is about time that this Government scrapped their ludicrous contract.

5.51 pm

Mr. Bradshaw: I shall endeavour to respond to as many of the points made in this good and constructive debate as I can in the short time that has been left to me. I hope that hon. Members will understand if I am not able to respond to their points, and I shall endeavour to write to them where that is the case. *[Interruption.]* The hon. Member for Hemel Hempstead (Mike Penning) said from a sedentary position that I should not have spoken for so long earlier, but he may recall that I was extremely generous in taking interventions. That was why my introductory comments took so long. I should warn him that, as a result, I do not intend to take any interventions in my summing up.

My hon. Friend the Member for Walthamstow (Mr. Gerrard) made an interesting speech about the transformation of the health service that he has witnessed in his area over the past few years. He made a specific point about osteoporosis and the quality and outcomes framework—QOF. It might help if I were to inform him that general practitioners are rewarded for improving particular clinical services, including those in connection with osteoporosis, by not only the QOF, but the enhanced services. This year, the enhanced services have already been rewarding GPs for the work that they done on osteoporosis. The rewarding has been to the tune of £50 million on five clinical directly enhanced services including osteoporosis. Thus, some of the progress that he would like to see has already been made. He also asked when the National Institute for Health and Clinical Excellence consultation on the changes to the QOF process would be published, and I am advised that we intend to publish that by the end of October.

The hon. Member for Banbury (Tony Baldry), who is no longer in his place, asked why there was a reason to have a health centre in his area—we dealt with that in some detail at the time—and why Oxfordshire's primary care trust did not seek to have more centres. It is perfectly within its rights to seek to have more centres.

In contradiction to what was said by the hon. Member for Wellingborough (Mr. Bone), I am informed that Northamptonshire's authority still intends to procure four new GP-led health centres—one before Christmas, another before March next year and two more thereafter. We have stressed all along that primary care trusts are perfectly free to decide the pattern of health care provision in their areas.

My hon. Friend the Member for Stroud (Mr. Drew) highlighted the fact that Gloucestershire PCT was one of a small number of PCTs that, according to the latest figures, had not yet progressed very well, if at all, on extended hours. I am happy to be able to inform him, again via *Hansard*, because he is no longer in his place, that Gloucestershire has rapidly caught up, that 34 out of its 84 practices have extended opening hours and that the PCT is confident that it will achieve the 50 per cent. target next month—two months ahead of schedule.

My hon. Friend the Member for Dartford (Dr. Stoate) and the hon. Member for Wyre Forest (Dr. Taylor) both did a sterling job of standing up for GPs. In every speech that the Secretary of State and I make, we emphasise the incredibly valuable work that GPs do and the contribution that they make. I have defended today, as I do regularly, the contract that we brought in. I said in my opening remarks that it was vital that GPs were rewarded properly, because they had not been in the past, which was why we had such a problem with recruitment and retention. That is not to say that we will not have disagreements and, earlier this year, we had such a disagreement about the introduction of GP-led health centres with the BMA leadership. My hon. Friend was on our side of that disagreement and, as he rightly said, had discussions with his local GPs who are now involved in the delivery of one of those health centres in his area. We will praise primary care and the work of GPs when that praise is due. The vast majority of GPs do a fantastic job, but it is also the role of Government to try to improve things and to get better value for money out of the contract on behalf of the taxpayer.

In response to the questions that the hon. Member for Wyre Forest posed about urgent and out-of-hours care, I welcome—as he does—the changes in his area. Just because the service is being provided by a Suffolk co-operative does not mean that it will necessarily be substandard. The hon. Member for South Cambridgeshire praised Devon Doctors, a doctors' co-operative from my area that happily and successfully runs the out-of-hours service in Devon and has expanded its tentacles all over the place. I hope that the new service will be an improvement on the last one in the constituency of the hon. Member for Wyre Forest. As I am sure he will have noticed, we said in the next stage review that we will

"consider options to improve and simplify access for the public to urgent healthcare by exploring the introduction of a single three-digit number in addition to the emergency services number 999."

We expect to publish further details on that work later in the autumn.

The hon. Member for North Norfolk (Norman Lamb) asked why there was such a variation in the performance on extended hours so far. We are not sure, but there may be several reasons for that. Some PCTs may have been a bit slow off the mark. In some areas where local medical committees are more powerful, they may be holding out for a better deal. It may be some time before they hit the target. In the case of Liverpool, the low offering is due

[Mr. Bradshaw]

to practices not meeting the core DES criteria. The PCT in Liverpool is working hard to achieve compliance and some practices were working for DES before signing up. The PCT says that it is confident of achieving at least 50 per cent. by the end of the year, which is what the Government expect of it.

The hon. Gentleman also asked me about comments in *Pulse*. I apologise if I am not such an avid reader of the GP press as Opposition spokesmen, but I am informed that the quotation to which he referred was a misquotation. The official concerned actually said that PCTs have a choice in contracting with their practices through a local contract or by using the national direct enhanced service. However, PCTs must ensure that local contracts meet core minimum standards. They can then build on those to expand and enhance the services.

The hon. Gentleman asked what role QOF was playing in reducing health inequalities. Research by the national primary care research centre in Manchester shows that the performance of practices in deprived and disadvantaged areas has significantly improved since the introduction of QOF, and that practices in those areas achieve as well as other practices. I agree with the hon. Gentleman that more can be done, which is exactly why the agreement this year will end the prevalence adjustment that disadvantages practices with the highest number of patients with certain diseases. That adjustment will end completely in 2010, when practices will be rewarded on true prevalence, not adjusted prevalence.

The hon. Gentleman also asked how long it would take to phase out the minimum practice income guarantee. That depends on what level of uplift the Doctors and Dentists Review Body, the independent pay review body, recommends for primary care. For argument's sake, if it recommended a 2 per cent. uplift this year, and that was repeated in subsequent years, it would take five years to phase out the MPIG completely, apart from a small rump of practices that would need some level of protection. I am also informed that if there were a 2 per cent. uplift this year, it should reduce the amount of protection moneys paid by about 50 per cent. nationally in the first year, so that would be a big step forward. We will continue to work with the BMA to secure year-on-year progress.

The hon. Gentleman also asked what role GP-led health centres will play in helping to address health inequalities. They will play a role through the additional and enhanced services that many of them will offer and the community-based services with which they will be co-located. His own, in Norwich, will be providing sexual health services, and I am sure that that is something that he will welcome.

In response to a point made by the hon. Member for Hemel Hempstead, the latest information is that about 40 per cent. of all those invited to tender for the new health centres are GPs themselves.

It being Six o'clock, the motion lapsed without Question put.

Health Care (Bexley)

Motion made, and Question proposed, That this House do now adjourn.—*[Chris Mole.]*

6 pm

Mr. David Evennett (Bexleyheath and Crayford) (Con): Bexley borough is a great place in which to live and to work. It has many good and positive attributes, including its location, the many open spaces and places of interest, excellent schools and facilities and a good Conservative council led by Councillor Teresa O'Neill. However, there are a number of local concerns, and among the major concerns is the issue of health care in the borough. I am therefore grateful for the opportunity to raise some of the concerns about health care in Bexley in the debate.

I am delighted that my hon. Friend the Member for Bromley and Chislehurst (Robert Neill)—my long-term personal friend as well as my neighbour and colleague—is in his place this evening. I am also grateful that the hon. Member for Erith and Thamesmead (John Austin), a fellow MP for Bexley borough, is with us for this important debate. Thirdly, I am delighted that my hon. Friend the Member for Hornchurch (James Brokenshire), who is the Conservative parliamentary candidate for the constituency of Old Bexley and Sidcup, is here to listen to the debate, too.

My hon. Friend the Member for Hornchurch has already been very active in our area on this and other issues. His positive contributions to the debate locally have been welcome, in marked contrast to those of some of the Labour parliamentary candidates, who still seem to be rather wedded to spin and inaccuracy and do not seem to take on board the concerns and views of the people of the borough—particularly the views of constituents in Bexleyheath and Crayford and in Old Bexley and Sidcup.

The Minister is a fair and reasonable man, and I hope that he will take on board the concerns felt across my borough. We do not feel that the Government are taking seriously residents' views, wants and needs about health care at this time.

We accept that there has been increased taxation and increased spending on health. There has been some considerable local improvement, as we know, across London. The Government are to be commended for what has been achieved. However, Bexley residents are concerned that there is a regrettable planned programme of downgrades and cuts to our local NHS. I hope that the Minister will listen to our heartfelt pleas and will take on board the concerns, and I hope that he will go back to the Department and act accordingly.

It is, of course, particularly opportune that we are holding this debate on a day when the Healthcare Commission report is published showing that in London service quality has declined. Is it any wonder that Bexley residents are concerned about their health care?

I turn, first, to Queen Mary's hospital, Sidcup, in the south of our borough and the proposals made under "A Picture of Health". Over the past year, residents from Bexley and the surrounding boroughs have been campaigning vigorously against the closure of the accident and emergency, maternity and children's departments at Queen Mary's hospital, Sidcup. The campaign has been

ably led by Bexley councillors Sharon Massey and David Hurt. Those of us who live in the area and represent the local community believe that those services are vital to local people. There has been considerable concern about the hospital's future should the proposed changes go ahead. There is a real fear that if the changes are implemented, the long-term prognosis for Queen Mary's Sidcup will be decline.

John Austin (Erith and Thamesmead) (Lab): The hon. Gentleman has referred to accident and emergency departments, but he will know that the plans under "A Picture of Health" provide for a 24-hour urgent care centre to cover all but the major emergency, blue-light casualty services. In the unfortunate event that he were to suffer a stroke or have a cardiac arrest, would he rather go to the hospital that is nearest, or to the one with the full diagnostic facilities that might save his life?

Mr. Evennett: The hon. Gentleman will have to wait and listen to the rest of my speech, but the most important point is that Queen Mary's hospital has a fully active accident and emergency department. Of course we accept that people would want to get the best treatment that the major hospitals specialising in treatment for heart and stroke problems offer, but we are talking about something in between, and the present services are greater than what would be provided if the proposals go ahead. That is the crucial point and, although I have a lot of respect for him, the hon. Gentleman is trying to be rather too clever by half on this matter.

The board of "A Picture of Health" was set up to review services in south-east London. It has decided that the Queen Elizabeth hospital in Woolwich, the Princess Royal hospital in Farnborough and Lewisham hospital should retain their accident and emergency services, while Queen Mary's hospital should lose them. Many residents are concerned that closure of those services at Queen Mary's would mean that some patients would have to travel much further to obtain treatment.

Transport is a very important issue in our area. Accessibility for treatment, consultation and visitors is all important, and we all know that transport links in south-east London are not good. It is unacceptable to say that the alternatives are only 5 or 7 miles away, as the impact would be felt more by those in our community who are already disadvantaged—the elderly, mothers with young children and people without cars. Those are the key issues.

Robert Neill (Bromley and Chislehurst) (Con): I congratulate my hon. Friend on securing this debate on a very important issue. May I add my support to his observations on behalf of those residents in that part of my constituency of Bromley that adjoins his area, as they also use the services at Queen Mary's hospital? He may be aware that I carried out a survey of 9,000 of my constituents who are affected and there was not a single response in support of the proposals, not least because not one of the four options included keeping A and E on the Queen Mary's site. That stokes up real concerns that the part of the site not covered by private finance arrangements may eventually be disposed of.

Mr. Evennett: My hon. Friend makes a very telling point, and his findings are replicated in my borough.

In March this year, more than 1,500 people attended a march against the proposals that was organised by local Conservatives. I presented a representative of the "A Picture of Health" board with a petition containing more than 8,500 signatures, including those of children, parents, doctors, nurses and other professionals from the health service. I believe that that demonstrates the strength of feeling among local people about the "A Picture of Health" plans, and their desire to retain vital services at Queen Mary's hospital. As my hon. Friend the Member for Bromley and Chislehurst said, residents of Greenwich and Bromley joined Greenwich residents in the rally.

We were supported by the Mayor of London, Boris Johnson, who has offered his support throughout the campaign. In his letter to us, he stated:

"It would be devastating for local people, if Queen Mary's Hospital in Sidcup is downgraded to a borough hospital, and it loses its emergency services, including A&E, children's and maternity department, under A Picture of Health proposals...I am deeply disappointed by these proposals and will do everything I can to help the residents of Bexley in their battle to keep the important services provided by Queen Mary's. I have already stated that I will give evidence if the Government refers the case to the independent reconfiguration panel."

That is tremendous support from our Mayor of London. I also have an email from the Bexley local medical committee, an elected body representing GPs. It states:

"The consultation was confusing with A Picture of Health and Healthcare for London running concurrently. In our opinion the views of the public were not taken into consideration and the outcome seemed predetermined."

That shows that professionals, politicians and all sorts of people in the community are very concerned about the proposals.

James Brokenshire (Hornchurch) (Con): My hon. Friend is making some powerful points. I was at Queen Mary's hospital yesterday and I was impressed by the professionalism of the staff and the real care, focus and attention that was given to patients. There were some very high standards.

My hon. Friend has mentioned his concern about pre-determination and the fact that the views of local residents were not properly taken into account. Does he share my concern and that of other residents that the decisions appear to have been made on the grounds of finance and the existence of PFI hospitals in the vicinity rather than what is best for health care in the borough and in the interests of local residents?

Mr. Evennett: I endorse what my hon. Friend says, and I am very concerned about it. It is perceived that finance is the bottom line.

My concern is whether the other hospitals will be able to meet the need if we close A and E at Queen Mary's. In December last year the Princess Royal hospital in Farnborough had to turn away patients as it was unable to cope with the high demand. Three ambulances were diverted to Queen Mary's for three hours because of the influx of patients on 18 December 2007.

There was an increase of about 32 per cent. in the number of A and E attendances at Queen Elizabeth hospital in Woolwich between 2001-02 and 2007-08. So I seriously believe that neither hospital could cope with the additional attendees that the closure of QM at Sidcup would cause.

In 1988 I campaigned vigorously for part of my then constituency of Erith and Crayford to be included in the maternity services catchment area of Queen Mary's hospital because constituents were having to travel a

[Mr. Evennett]

long way for the services that they needed. We were fortunate in that campaign. The Government and the health authority listened, and the campaign was successful. Residents of Crayford were included in that catchment area. I fear that we are now looking at a retrograde step of closing maternity services at Queen Mary's, and other areas of Bexley will experience the same problems as my constituents had in the 1980s.

Many constituents from Bexley and Sidcup have contacted my office to praise maternity services at the hospital, which are provided by hard-working doctors and nurses and other staff. The unit has an extremely good record. Again, capacity at other hospitals in south-east London is a concern. While more home births are being promoted—which is good for those who want it—there will be issues for those who prefer hospital care and delivery. I understand that nationally in 2007, 42 per cent. of NHS trusts providing maternity services had to turn away women in labour because they were full. This is a worry that we will have in our area too.

I know that the Princess Royal hospital had to divert patients from its maternity unit in March due to high activity and capacity issues. These are real concerns. I hope that the Minister will appreciate that we are closing facilities in Queen Mary's hospital in Sidcup when other hospitals are not able to cope. Yet the experts say that those hospitals could cope.

I have received representations from GPs. They say:

"The plans for Maternity services in both Primary and Secondary care do not seem robust. Bexley will be left with a midwife-led birthing unit at QMH with no Consultant backup on the premises.

Community midwives are being taken away from individual GP surgeries and grouped into clusters. This will cause great inconvenience to patients at large who will have to travel further for their care. The midwives will be unable to access patients medical records which are a necessary requirement."

I note that in other parts of the country smaller maternity units are being maintained, so why not in Bexley? My hon. Friend the Member for Bromley and Chislehurst has alluded to the finance, and I will not go over that in view of the shortage of time. Many people believe that the building is safe, but what about the services? The hospital is being downgraded and services cut for financial reasons.

I should like to ask the Minister a couple of questions. We know that a joint health overview and scrutiny committee referred the decision of the "A Picture of Health" board to the Secretary of State in the summer. I should like to know when the decision is going to be made. Does the Secretary of State intend to refer the decision to the independent reconfiguration panel to ensure that there is independent scrutiny? We would like to know that independent people have looked at the decision and made a judgment. All of us who are campaigning against the downgrades and closures feel that to date that has not been done. As my hon. Friend said, it looks as if there was a done deal and the consultation was a sham. I hope that the Minister will be able to answer these important issues and that he will tell me positively that the case will go to the IRP.

The hospital is not the only local health care issue. We have real concerns about the regrettable cuts made by the Bexley Care Trust, whose headquarters is in my constituency. Those cuts affect quality of life. Pensioners, for example, are disadvantaged by cuts to the chiropody service. Many of them now have to pay for the service and travel to clinics rather than have a free service in their home.

Two years ago, I raised concerns with the Minister's predecessor about plans to redirect family planning services to GPs and about changes to speech and language therapy services. More recently, we have been concerned locally about the lack of NHS dentistry services. Those are quality of life issues.

When my hon. Friend the Member for Hemel Hempstead (Mike Penning) spoke at the end of the previous debate, he made some important points about polyclinics. Many local pensioners are concerned about how polyclinics will affect them. The closing of GP surgeries in favour of polyclinics could have a considerable effect on early diagnosis rates. We are also concerned that the relationship between pensioners and their doctor will be breached because they will not always see the same doctor.

Those are the concerns that are being raised locally. The fear is that Queen Mary's hospital may eventually end up as simply a super-polyclinic. That is a real worry to pensioners who rely on their doctor. People get to know their doctor, which makes them feel confident. Elderly people in particular value that relationship.

I am pleased to have been able to raise these issues with the Minister. Will he give us some reassurance that there is no done deal on Queen Mary's and that there will be independent consideration? South-east London is different from other parts of London; we have particular issues and problems, whether transport or the location of hospitals. We deserve better health care for all the people in Bexley.

6.17 pm

The Minister of State, Department of Health (Mr. Ben Bradshaw): I congratulate the hon. Member for Bexleyheath and Crayford (Mr. Evennett) on securing the debate and I pay tribute to NHS staff in Bexleyheath and Crayford, as well as across the NHS as a whole, for their hard work and dedication, which are delivering a better quality health service than ever, benefiting, not least, the hon. Gentleman's constituents.

As I am sure the hon. Gentleman will acknowledge, the NHS in south-east London has faced significant historical challenges, many of which are shared across London, as we can see from today's annual Healthcare Commission report. Incidentally, he is not quite correct to say that the commission's annual health check said that health care in London had declined. In fact, it has improved, but more slowly than in the rest of the country. However, he is right that there have for some time been particular challenges in south-east London.

I hope that the hon. Gentleman will acknowledge, too, that the health service can never stand still; it has to change. Lifestyles, society, medicine and technology are all constantly advancing, which means, for example, that many conditions that used to require admission to hospital can now be treated in the community, by GPs or even in someone's home. For those who require admission to hospital, the average length of stay is just a fraction of what it was even only five years ago.

Although many services can now be delivered outside a hospital setting, closer to where people live, some more specialist and complex treatments require such a

level of expertise, with round-the-clock teams of doctors and nurses, that they are best delivered in a smaller number of major centres. That is the context against which the proposed reorganisation of health care in south-east London is taking place.

The other thing I need to make clear is that decisions on how local services are organised are no longer made by Ministers in Whitehall, but by autonomous NHS professionals on the ground. I take this opportunity to commend the collaborative approach that has been taken by the four primary care trusts involved in the south-east London reorganisation—Bexley, Lewisham, Greenwich and Bromley—and the four acute hospital trusts involved, Queen Mary's Sidcup, Bromley Hospitals, Queen Elizabeth and University Hospital Lewisham. It is no mean feat that they have managed to come up with a set of proposals that they believe will ensure safe and high-quality services for the people of their boroughs and an NHS for south-east London that will at long last be put on a stable financial footing.

The process of drawing up the proposals—called, as we know, "A Picture of Health"—has been led by doctors and other health care professionals and has involved, as the hon. Gentleman knows because he has taken part in it, extensive public consultation. The clear view of the clinicians involved has been that while many services can be devolved further out into local communities, there are others that, because of their speciality, urgency or complexity, need to be concentrated on three rather than four sites to make the most of the available expertise.

John Austin: In his speech, the hon. Member for Bexleyheath and Crayford (Mr. Evennett) often used the word "downgrading." Does my hon. Friend share my view that there is a powerful and arguable case for the separation of elective care from trauma services? Is he aware that the proposals for Queen Mary's Sidcup mean that it will become a centre of excellence for elective care, including cancer services, not just for the borough of Bexley but for Greenwich, Lewisham and Bromley as well? Does he consider it correct to describe that as downgrading?

Mr. Bradshaw: No, I do not. I have been trying to improve understanding of how health care is organised. There are many services, and many in the case of this reorganisation, that are being delivered and devolved out into the communities; I will come on to the extra services that these proposals are intended to provide at St. Mary's Sidcup in a moment.

Mr. Evennett: Queen Mary's.

Mr. Bradshaw: Queen Mary's; I beg the hon. Gentleman's pardon.

There are other services that, because of their nature, require, for the sake of patient safety and lives saved, to be concentrated in more specialist centres.

The independent national clinical advisory team, under the respected doctor Professor Sir George Alberti, reviewed the proposed changes in south-east London. Its report said:

> "It is obvious that no change is not an option. This has been stressed particularly by hospital clinicians. We support the view of concentrating acute services on fewer sites as soon as possible."

As I am sure that the hon. Gentleman knows, in July a joint committee of the primary care trusts involved agreed to recommend a variation of a number of the options that had been considered during the public consultation. Its recommendation is for two fully admitting hospitals, Queen Elizabeth in Woolwich and Princess Royal in Orpington, and a medically admitting hospital at University Hospital Lewisham and a borough hospital at Queen Mary's Sidcup. The local NHS has said that it believes that that solution would deliver the most clinical and non-clinical benefits to local people.

Under the proposals, as my hon. Friend the Member for Erith and Thamesmead (John Austin) has just mentioned, Queen Mary's Sidcup would lose its full A and E department and maternity services, but its urgent care centre would be expanded to provide 24-hour cover, routine surgery would also be expanded to cover not only Bexley but all of Bromley and Greenwich, and there would be an expansion of several community diagnostic and specialist ambulatory services.

The advantages of those proposals, according to the NHS in south-east London, is that they will bring together small teams that currently provide specialist care, such as emergency and trauma care, into larger teams with the capacity and round-the-clock expertise to provide top-quality and safe care, while other services would be provided closer to people's homes. That will make services easy to access and help to reduce health inequalities and differences in access to care in the area.

As the hon. Member for Bexleyheath and Crayford is aware, the overview and scrutiny committee of Bexley council, which has the role of monitoring NHS decisions in his area, has formally referred the proposals to the Secretary of State for review. The joint overview and scrutiny committee, comprising six interested boroughs and Kent county council, has indicated its intention to refer at least some of the proposals to the Secretary of State, and I understand that it is meeting shortly to agree the precise terms of any referral. I can assure the hon. Gentleman that in any event the referral by Bexley means, under the independent system set up by the Government, that the national independent review panel will look again at the proposals. As for the process, I suspect that the panel will not wish to consider the referral formally until it hears from the joint overview and scrutiny committee, because it will need to be clear about the exact reasons for the referral, and what its terms are.

As the hon. Gentleman acknowledged, the panel is genuinely independent—for example, it recently rejected proposed NHS reorganisations affecting East Sussex and Oxfordshire. Anyone, including the hon. Gentleman, and the hon. Members for Hornchurch (James Brokenshire) and for Bromley and Chislehurst (Robert Neill), who are sitting behind him, and my hon. Friend the Member for Erith and Thamesmead, may make representations to the panel. I hope that that has gone some way to reassure the hon. Member for Bexleyheath and Crayford that the decisions that are being taken on health in his local area are being led by the local NHS and clinicians, and are aimed at trying to provide his constituents and the rest of the public in south-east London with the modern, safe and high-quality health services which I hope we all agree they deserve.

Question put and agreed to.

Adjourned accordingly at twenty-five minutes past Six o'clock.

House of Commons

Friday 17 October 2008

The House met at half-past Nine o'clock

PRAYERS

The First Deputy Chairman of Ways and Means took the Chair as Madam Deputy Speaker, pursuant to the Standing Order.

Planning and Energy Bill

Consideration of a Lords amendment.

Clause 1

ENERGY POLICIES

Lords Amendment: No. 1.

9.34 am

Mr. Michael Fallon (Sevenoaks) (Con): I beg to move, That this House agrees with the Lords in the said amendment.

I welcome the Minister to his new position. He is, I think, the fifth Minister to assist the House during consideration of the Bill. If it is any encouragement to him, two of those five now attend the Cabinet, so I can understand his eagerness to help us in our proceedings this morning.

This relatively minor and technical amendment clarifies and improves the Bill. As the Bill was originally drafted and presented to the House, and I take full responsibility for it, it appeared to give a new regulation-making power to the Secretary of State to set energy efficiency standards. That was never the intention of the Bill. No one needed or wanted to create a new power. There are already sufficient powers in the existing legislation. The amendment, which therefore clarifies that the Bill does not itself create a new power, is an improvement to the Bill and I am grateful to their eagle-eyed lordships for proposing it.

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Sadiq Khan): It is a pleasure and an honour to speak on this private Member's Bill day with you in the Chair, Mrs Heal. This is the last Friday before the Session ends and I am pleased to have got in, especially as the prospects of career enhancement from speaking on the Bill are so great. I see that my right hon. Friend the Minister for Europe, formerly the Minister for Housing, has joined us this morning to demonstrate the passion with which treat the issues the Bill.

Like the hon. Member for Sevenoaks (Mr. Fallon), I agree with the Lords amendment, but before we discuss the amendment, which it is important for us to do, it is important to spend—

Mr. Christopher Chope (Christchurch) (Con): I beg to move, That the House do sit in private.

Question put forthwith, pursuant to Standing Order No. 163 (Motions to sit in private):—

The House proceeded to a Division.

Madam Deputy Speaker (Sylvia Heal): Order. I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The House having divided: Ayes 0, Noes 36.

Division No. 274] **[9.36 am**

AYES

Tellers for the Ayes:
Miss Anne McIntosh and
Mr. Philip Hollobone

NOES

Barker, Gregory
Blizzard, Mr. Bob
Blunt, Mr. Crispin
Bottomley, Peter
Brown, rh Mr. Nicholas
Bryant, Chris
Burt, Alistair
Creagh, Mary
Dismore, Mr. Andrew
Fallon, Mr. Michael
Fitzpatrick, Jim
Flint, rh Caroline
Follett, Barbara
Francis, Dr. Hywel
Gardiner, Barry
Grogan, Mr. John
Howarth, David
Irranca-Davies, How
Joyce, Mr. Eric
Keen, Alan
Keen, Ann
Khan, Mr. Sadiq
Lewis, Mr. Ivan
McCarthy, Kerry
Mole, Chris
Öpik, Lembit
Pelling, Mr. Andrew
Penning, Mike
Purnell, rh James
Robathan, Mr. Andrew
Ruddock, Joan
Skinner, Mr. Dennis
Vaizey, Mr. Edward
Villiers, Mrs. Theresa
Younger-Ross, Richard

Tellers for the Noes:
Mr. David Burrowes and
Mr. Christopher Chope

Question accordingly negatived.

Planning and Energy Bill

Question again proposed, That this House agrees with the Lords in the said amendment.

Mr. Khan: As they say in some places, a win is a win. In all the excitement, I lost my place in my short speech, so with your indulgence, Madam Deputy Speaker, I will just begin again.

I am pleased that my right hon. Friend the Minister for Europe, who played such a huge part in helping the hon. Member for Sevenoaks (Mr. Fallon), is here. However, I am also joined by other colleagues in the Chamber, including my hon. Friend the Under-Secretary of State for Health and my hon. Friends the Members for Bristol, East (Kerry McCarthy), for Feltham and Heston (Alan Keen), for Selby (Mr. Grogan) and, of course, for Hendon (Mr. Dismore), as well as many other right hon. and hon. Members. They include my good, dear friend the hon. Member for Wantage (Mr. Vaizey)—he is a friend, but not an hon. Friend, I hasten to add, unless he decides to cross the Floor, as his predecessor in Wantage did.

I am pleased that we are able to discuss in detail the amendment from the other place, as I feared that the wrecking vote earlier would mean that we would not be able to do so. I do not intend to stray from the debate. Although I am a new boy in these Friday debates, I realise from sitting on the Benches as a Whip that you do not allow Ministers to depart too far from the strictures of debate on private Members' Bills, Madam Deputy Speaker.

I start by congratulating the hon. Member for Sevenoaks on successfully negotiating his private Member's Bill through all the parliamentary hoops so far, including votes to sit in private. We are all aware that private Members' Bills can face an uphill struggle to survive. Given how far the Bill has travelled and the support that it has attracted during its passage, it would be extremely disappointing if it fell at the final hurdle.

David Howarth (Cambridge) (LD): On the subject of how far the Bill has travelled, I am also extremely grateful to the hon. Member for Sevenoaks and now to the Government for their support for it. The Bill arose from a specific problem in my constituency and started in the House two and a half years ago. It is very gratifying to see it come all the way through to today, so that the problem can be resolved legislatively. It is not just a good day for the environment; it is a good day for the decentralisation of power, so I am grateful for the Minister's support.

Mr. Khan: I thank the hon. Gentleman for his kind words. This is not just a time for national unity because of the economic crisis. Climate change and the problems that our earth faces also demand unity in the Chamber and elsewhere, so I am pleased to hear his words.

Let me also say how pleased I am to be here to debate this private Member's Bill. I was delighted to be appointed to my current post in the Department for Communities and Local Government. I am now on day 12. You will be aware, Madam Deputy Speaker, that I spent many hours sitting where my hon. Friend the Member for Ipswich (Chris Mole) is sitting now, helping to secure the safe passage of the Bill. The hon. Member for Sevenoaks referred to reshuffling and transfers, and I had the pleasure of sitting through a tour de force of a speech by my hon. Friend the Member for Ealing, North (Stephen Pound) on Report, in which he managed to mention every member of the Fulham football team, including its chairman, some of whom have also been transferred and reshuffled.

Today I have been asked, on behalf of the Government, to take on the responsibility of looking after the hon. Gentleman's Bill. I realise that he and you, Madam Deputy Speaker, see a new face. I am also well aware—he referred to this—that a number of different Ministers have been involved in the passage of the Bill. I am sure that someone will have been keeping a tally—indeed, I notice that the hon. Gentleman himself has been keeping a tally. The figure is five and counting. I have asked my private office not to clean out my office just yet. Indeed, I hope that this short speech will not be the end of my career upwards or downwards—I quite enjoy the gig that I have got on day 12.

9.45 am

Mr. Philip Hollobone (Kettering) (Con): We all wish the Minister well with his Government career. Let me also offer my hon. Friend the Member for Sevenoaks (Mr. Fallon) many congratulations on piloting the Bill. However, the Government could have speeded things up a lot if they had decided to introduce the legislation in their own time. If it were not for my hon. Friend's efforts and endeavours, we would not be discussing it now.

Mr. Khan: I am extremely grateful for that contribution, because it raises a point that needs to be discussed. Are the Opposition in favour of more legislation and bigger government or less legislation and smaller government? We had 34 Bills in the last Queen's Speech, most of which were opposed by Her Majesty's official Opposition. If they want more legislation—

Madam Deputy Speaker (Sylvia Heal): Order. The Minister said at the outset that he was very aware of the strictures of debate on a Friday. On this particular Friday we are discussing a Lords amendment. May I suggest to any hon. Member who is going to make a contribution that they focus their remarks on the Lords amendment?

Mr. Khan: Thank you, Madam Deputy Speaker. I am afraid that the hon. Member for Kettering (Mr. Hollobone) managed to lead me into an elephant trap that I fell into. I am grateful to you for pulling me out of that trap and ensuring that I move to safer pastures.

I am aware of the Bill's history, having been present in previous debates. I am also aware—the hon. Member for Sevenoaks referred to this—of the early line that we took on the Bill. Let me remind hon. Members of what the Under-Secretary of State for Communities and Local Government, my hon. Friend the Member for Hartlepool (Mr. Wright), said when the Bill was debated on Second Reading. He acknowledged that we were not initially convinced that the Bill was necessary—I am coming to the Lords Amendment, Madam Deputy Speaker, as it is directly relevant to this point. We also thought that the Bill required amendment to make it effective in practice.

We have subsequently been convinced of the Bill's value and have worked with the hon. Member for Sevenoaks and other hon. Members, in all parts of the House, including on the Government Benches. It is on record clearly that the Government support the Bill as it now stands. That the Bill was subject to only a minor technical amendment in the other place is testament to the hard work put into moulding it into a workable piece of legislation in Committee in this place. Thanks go both to the hon. Gentleman and to my right hon. Friend the Minister for Europe, the then Minister for Housing, who took responsibility for the Bill in Committee. She has now moved on, and one hopes that such swift promotion is spread among other Ministers who have been involved in the Bill.

Looking back at *Hansard*, I see that the hon. Member for Sevenoaks spoke on Second Reading about a meeting that he had had with my right hon. Friend the Chief Secretary to the Treasury, who was then the Minister for Housing and Planning:

> "I claim no particular prescience, but one of the points that I made at that meeting was that Ministers come and go. Last night, that Minister went, which is a little unfortunate."—[*Official Report*, 25 January 2008; Vol. 470, c. 1736.]

My right hon. Friend, to whom the hon. Gentleman was referring, obviously went onwards and upwards. I hope that this is not an omen, and I am sure that the hon. Gentleman will bear with us during this seemingly constant round of musical chairs, and that he will be satisfied that, no matter who stands here at the Dispatch Box, we have been harmonious in our desire to tackle climate change and that we support the Bill, as it is now amended.

10 am

I am sure that everyone who has been involved in the discussions on the Bill during the early debates thought that they had fashioned a Bill that needed no further alteration. The hon. Gentleman referred to that earlier. He even convinced my hon. Friend the Member for Hendon of the merits of the Bill and, as we are now aware, further amendment did not prove necessary. I am pleased that sufficient parliamentary time has now been found to continue the debate on the Floor of the House.

Lembit Öpik (Montgomeryshire) (LD) *rose—*

Mr. Khan: I will give way, but may I remind the hon. Gentleman that I have already fallen into one elephant trap, and I am keen not to fall into a second one on my debut outing on a Friday?

Lembit Öpik: It is not my intention to bait the Minister in any way. Does he agree that, while the amendment is important, we also need to recognise the benefit of feed-in tariffs? Does he agree that—

Madam Deputy Speaker: Order. I am afraid that that is not in order. We are debating the Lords amendment. Whatever the hon. Gentleman's intentions may be, I am afraid that I must stop him.

Mr. Khan: Thank you for protecting me from that distraction, Madam Deputy Speaker. I think that I saw that one coming, but I thank you none the less.

So far, we have spent about eight hours and 16 minutes debating the Bill in this House and in the other place, and I hope that we will soon reach a swift, successful conclusion. We are all aware that climate change is one of the most important challenges that we face and it is one that we must not lose sight of while we respond to the rapid developments that we have witnessed recently in the financial world. Climate change will not go away if we ignore it.

The new Department of Energy and Climate Change will take forward matters that other colleagues might want to discuss, but which I cannot discuss today for fear of being ruled out of order.

Mr. Andrew Dismore (Hendon) (Lab): I congratulate my hon. Friend on his promotion and on being asked to respond to this debate here on a Friday. I want to ask him something about the amendment. The House rightly disapproves of retrospective legislation, but the amendment effectively constitutes prospective legislation. Will my hon. Friend tell me what kind of enactments he has in mind that might be brought within the amendment?

Mr. Khan: I thank my hon. Friend for his excellent question. I can see officials busily writing away as I speak. May I remind the House that he holds the record for the longest speech made here on a Friday? On that day, someone made 53 interventions to assist him in making the longest speech—[*Interruption.*] For the purposes of *Hansard*, I should like to point out that my right hon. Friend the Member for Don Valley (Caroline Flint) was the person who has just passed me a note from the officials. I thank her for that. This demonstrates joined-up government and teamwork.

To answer the very good question put by my hon. Friend the Member for Hendon, for which I thank him, the Housing and Regeneration Act 2008 includes a regulation-making power for the Secretary of State in relation to England, and for Welsh Ministers in relation to Wales, to prescribe sustainability standards, including in relation to energy efficiency. Once the power has been exercised, the resulting sustainability standard in relation to energy efficiency would be appropriate for local authorities to use when setting energy efficiency standards for their areas in reliance on the Bill. My hon. Friend made an important point about the Lords amendment. We have allowed for the possibility that this power might be superseded or supplemented in future by other powers. If he has any further queries during the course of my short speech, I will obviously be happy to answer them.

Lembit Öpik *rose—*

Mr. Khan: I will give way to the hon. Gentleman, but we both know what Madam Deputy Speaker said last time he intervened, and I am keen for him not to be rebuked again in *Hansard*.

Lembit Öpik: I think that it will be in order for me to ask this question. Were we to enact this Bill, as I hope we will, would feed-in tariffs be an appropriate subject for future legislation as a direct result of that—

Madam Deputy Speaker: Order. I am afraid that, although the hon. Gentleman has tried very hard, he has unfortunately failed.

Mr. Khan: Thank you, Madam Deputy Speaker. I think you will admit that the hon. Gentleman's questions are getting better.

The amendment makes its own important contribution to reducing emissions and tackling climate change. It sits neatly with the fundamental measures that the Government are taking to cut emissions and tackle climate change. Those include the Climate Change Bill and the Energy Bill, which are now progressing through this House and the other place respectively, and the Planning Bill, which is now before the other place. The Planning Bill, which is relevant to the amendment, contains important measures that will help to deliver renewable energy projects—

Mr. Dismore: Will my hon. Friend give way?

Mr. Khan: I will, but may I just finish this passage? I fear that, if I lose my place, I might have to begin again.

The Planning Bill also includes a key clause—[*Interruption.*] Sorry, was that an intervention? I am sorry, Madam Deputy Speaker. I am new at this, and I am not sure whether I am being heckled or laughed at. The Planning Bill includes a key clause that will place a duty on local councils, when preparing their local plans, to take action on climate change.

Mr. Dismore: I am very worried about the prospective application of the amendment. My hon. Friend has referred to an Act of Parliament that has already gone through, and I can understand why we should perhaps not refer to it by name in an amendment to the Bill. However, he has also referred to other Bills that have not yet passed through the House. Would it not be more appropriate to amend those Bills as they go through the House, so that we are not legislating prospectively, and to refer in this Bill only to the Act that has already gone through?

Mr. Khan: As usual, my hon. Friend raises an important point. It is worth reminding him, however, of the extra powers the Bill will deliver. It places in legislation the power for local councils to make policies on local energy requirements for new developments. He might have missed this, so it is important to remind him that this provides the reassurance that some councils were looking for. It reassures them that they can go further and faster than building regulations, but within the national framework. It also means that there will be no place to hide for any local authority that does not want to take up this agenda. It also underlines everyone's commitment to using local—including on-site and near-site—green energy in new developments.

A final point, which is also relevant to the point that my hon. Friend raised, is that the measures protect against the possibility of there being no planning policy, because if planning policy is cancelled, this legislation will remain in place. If my hon. Friend has further questions, I will try to answer them. I can see the officials busily writing away, and I am sure that another note will be passed to me soon. I do not mind if it is passed to me by a member of the Cabinet or someone else.

Mr. Dismore: I am sorry to intervene on my hon. Friend for a third time, but it might give the officials time to write the answer to my last question. I have listened to what he has just said, but it did not really relate to the point that I raised. I certainly support the Bill, and I remember expressing my support for the various points that he has raised in the debates that we had in the House on previous occasions. However, the real point here is a matter of principle. This is not so much to do with the Bill itself as with the principle of prospective legislation. As I mentioned in my first intervention, the House rightly disapproves of retrospective legislation, but we have here a new constitutional line being developed by effectively giving a blank cheque in relation to what might come along in the future. I suggest to my hon. Friend that it would be more appropriate for this to be done by means of the Act in question cross-referring back to this Bill, rather than by trying to anticipate what might or might not happen in the future.

Mr. Khan: I do not have the joy of being the Chair of the Joint Committee on Human Rights, but I thought that most legislation was, by definition, prospective, because it is not retrospective. I am sure that, during the course of my short speech, I will come to the point that my hon. Friend has raised, in my own way. If I do not, I will respond to it once a note has been passed to me.

David Howarth: Perhaps the best way to interpret the amendment is to see it as an attempt to interpret future enactments in a way that is compatible with this Bill, so that if, by some mischance, future legislation did not refer to the Bill, it would not be taken as an implied repeal of the Bill. This is just a matter of protection against future accidents. Although the hon. Member for Hendon (Mr. Dismore) is correct about the normal way in which we do things, I think that this is a perfectly reasonable amendment.

Mr. Khan: I gratefully accept the ring thrown into the pool by the hon. Member for Cambridge (David Howarth), who demonstrates why Cambridge has some of the world's greatest academics and why I am grateful that he came in to support this important Bill of the hon. Member for Sevenoaks. The Planning Bill contains important measures that will help in delivering renewable energy projects.

To move on from the passage I was referring to before I was intervened on and lost my train of thought and the place in my speech, the Bill adds to Government Bills by building into the legislation the powers of local councils to make policies on local energy requirements for new developments. It makes a positive contribution to the clear need for local authorities to take action to tackle climate change locally. Importantly, it will do so now.

Both this private Member's Bill and the proposed duties in the Planning Bill are underpinned by the planning policy statement on climate change that was published last December. That PPS contains our detailed policy on what we expect of our planning authorities, giving a strong boost to local energy planning, local renewables and low-carbon energy. This is our "Merton-plus" approach, building on the Merton rule. Since this Bill was last debated in the Commons, we have also consulted on our renewable energy strategy, which outlined the Government's proposal for meeting the UK share of

the EU-wide target for renewable energy. The proposal is to achieve 15 per cent. of the UK's energy from renewables by 2020.

Let me move on to deal specifically with the Lords amendment. There have been lengthy discussions of various issues raised by the Bill, and I am pleased that they have been resolved to everyone's satisfaction without the need for a substantial amendment. I am grateful that the other place did not consider it necessary to revisit any of the points raised during the passage of the Bill in the Commons. That demonstrates how well the Committees of this House worked to produce a workable Bill.

There was, however, one point of detail that the other place needed to address and it is worth explaining it to colleagues who may not have seen the record of the debate. The concern of the other place resulted in just one technical amendment. I can assure the House—this also deals with the concerns of my hon. Friend the Member for Hendon—that the amendment does not affect the substance of this private Member's Bill. The reason why the Bill needed amendment is straightforward and we should thank the Delegated Powers and Regulatory Reform Committee in the other place for spotting the necessity for it. It enables us to correct the reference to regulatory-making powers and to improve the Bill's clarity. It was unfortunate that the amendment was needed and that it was necessary for the Bill to come back to this place, but the fact that we are here today demonstrates the will to see the Bill through to what I am sure will be a successful conclusion.

I know that my hon. Friend the Member for Hendon was keen for me to answer his point directly, so I am extremely grateful to my right hon. Friend the Minister for Europe for passing me a note a few moments ago, which will enable me to respond to his query. I want to assure the House and my hon. Friend that the power given to local authorities properly relates to the prevailing energy efficient standards set by Parliament in the future. My hon. Friend's suggestion would mean that every piece of future legislation would have to refer to this Bill, and I believe that that was the point made by the hon. Member for Cambridge when he rescued me from my inability directly to answer my hon. Friend's point.

Mr. Dismore: Will my hon. Friend give way?

Mr. Khan: In the spirit of ensuring full and frank debate on this very important Bill, I will.

10.15 am

Mr. Dismore: I am grateful to my hon. Friend. I sympathise in that he does not have his Parliamentary Private Secretary with him to do his running today, but I see that my right hon. Friend the Minister for Europe is present and she is doing an excellent job in supporting the Minister. Let me tell him, however, that what he is effectively saying is that he has no faith in the parliamentary draftsmen. Surely they, who are paid enormous amounts of money to do this work, should be capable of getting the cross-references correct in future legislation.

Mr. Khan: I shall come on to the point about the parliamentary counsel, but either we believe in devolution or we do not: it is for local authorities to set the targets and I believe that that is the right way for us to deal with these issues. As I said, I will come on a little later in my short speech to deal with my hon. Friend's point about the parliamentary counsel.

Returning to the Lords amendment, in early May this year, the Delegated Powers and Regulatory Reform Committee in the other place drew to our attention a concern that the Bill, as drafted when it left this House, appeared to give a regulation-making power to set energy efficient standards. I hasten to add that this was not spotted by my hon. Friend the Member for Hendon. Unfortunately—

Mr. Dismore: Will my hon. Friend give way?

Mr. Khan: I will in a moment; I am not scared! *[Interruption.]* I feel that I am being heckled by a former mentor.

My point is that the Bill appeared to give a regulation-making power to set energy efficient standards. Unfortunately, the Bill was slightly deficient in not specifying the parliamentary procedure for that power. I am, of course, now happy to give way to my hon. Friend.

Mr. Dismore: I am astounded at my hon. Friend's suggestion that I should have missed something on a Report stage of a Bill on a Friday. I did actually look at that issue and I felt that it was dealt with appropriately. That is why I am probing the Minister today—because I am very concerned about prospective legislation. Had I supported such legislation, I might have brought this sort of amendment forward myself at the time—but I do not, so I did not.

Mr. Khan: I hope that my hon. Friend will not feel so concerned about the matter that he will divide the House. Let me continue.

My noble Friend Baroness Andrews wrote to the Delegated Powers and Regulatory Reform Committee on 11 June—this is relevant to the issue raised by my hon. Friend the Member for Hendon—setting out how the Government, in agreement with the hon. Member for Sevenoaks, intended to address the issue. It was a team effort. In its 10th report, the Delegated Powers and Regulatory Reform Committee noted that Baroness Andrews had written to its Chairman to explain that the Government intended to propose an amendment to the Bill. The amendment was intended to remedy the drafting deficiency, which, as we have just heard, was spotted by my hon. Friend the Member for Hendon, but who failed to raise it on Report and who did not feel it sufficiently important to require amendment at that stage. Notwithstanding all that, the Lords amendment remedies the drafting deficiency.

As I have said, the Bill, as brought from this House, unintentionally and imperfectly created a delegated power. The Delegated Powers and Regulatory Reform Committee in the other place reported that if the Bill were amended in the way explained by my noble friend Baroness Andrews, it would not delegate legislative powers. I can assure the House that the error—it was an error—was purely technical. It was a drafting slip by the parliamentary counsel, for which the lawyers have apologised for not spotting.

Richard Younger-Ross (Teignbridge) (LD): The Minister is answering the point raised earlier by the hon. Member for Hendon (Mr. Dismore). Parliamentary slips can happen, which is why we need this Lords amendment.

Mr. Khan: As I am constantly reminded by my nine-year-old, we are all human and we all make mistakes. I am grateful to the hon. Gentleman, speaking from the Liberal Front Bench, for realising that, and I hope that my hon. Friend the Member for Hendon would also accept that we are all human.

As I was explaining, the error was purely technical and the lawyers have apologised for not spotting it. For the benefit of those who are not lawyers, it might be worth trying to explain the implications in layman's terms. The problem was with the drafting of the then clause 1(2)(a) in that it did not clearly refer to regulation-making powers in other legislation. It seemed to create a new power for the Secretary of State to set energy efficiency standards, which would not have been subject to any parliamentary controls. That was never the intention and it is precisely why the Bill had not included a procedure setting out how such a power would operate.

David Howarth: I thank the Minister for that explanation. I very much sympathise with the view of hon. Member for Hendon that a court would have been very unlikely to have interpreted the Bill as originally drafted as creating in itself a separate order-making power for the very reason that the Minister just outlined, as the Bill does not include any procedure, conditions or limitations relating to such a power. The Bill's original phrasing would have been interpreted as meaning "under any other enactment", not just as creating a power by itself. I am grateful for the amendment clarifying that, but I would not accept that a mistake had been made.

Mr. Khan: I think it was a slip. We all like to dot the i's and cross the t's, and if we provide clarity, lawyers are used less to try to interpret legislation. I know that the hon. Gentleman is in favour of plain English. If we can clarify things on their return from the other place, it is only right to do so.

The intention was to refer to regulation-making powers in other legislation, but that was overlooked in the final drafting of the clause. Appropriate regulation-making powers already exist in other legislation and there was no need for the hon. Member for Sevenoaks to introduce new powers. That would have been unnecessary duplication. The intention was for local authorities, in setting energy efficiency standards, to choose only those standards that have been set out or referred to in regulations made by the Secretary of State, or which are set out or endorsed in national policies or guidance issued by the Secretary of State.

That approach was taken with a view to avoiding the fragmentation of building standards, which could lead to different standards applying in different areas of the country. Although supportive of the hon. Gentleman's Bill, that was not an outcome that we wanted to achieve.

After consulting the hon. Gentleman and writing to the Chairman of the Delegated Powers and Regulatory Reform Committee in the other place, my noble Friend Baroness Andrews aimed to clarify the intentions behind the reference to regulation-making powers. Her memorandum said:

"The Committee Clerk has advised that Clause 1(2)(a) creates a delegated power to make regulations but because of the way it plays with Clause 1(1)(c) and 1(3)(a) does not do so correctly. Our intention here was not to create a new power but to refer to regulation-making powers contained in other legislation. The drafting of the reference is unfortunately not clear enough, and we intend to explain at Lords Second Reading how we will put this right. We will ensure that an amendment which addresses your Committee's concerns is laid for consideration at the Bill's Committee stage.

We have discussed with Parliamentary Counsel, and although we do not yet have final drafting for the amendment, we expect that it will involve the insertion of the words 'by or under any other enactment' or similar, after 'regulations made by the appropriate national authority'. We will write to you again when we have the final draft."

My noble Friend subsequently wrote to the Committee enclosing a draft of the appropriate amendment. That successfully dealt with the concerns of the Delegated Powers and Regulatory Reform Committee in the other place, and the amendment was subsequently laid in the other place. The amendment the Government tabled, which we are discussing today, inserts in clause 1(2)(a) the words

"under or by virtue of any other enactment (including an enactment passed after the day on which this Act is passed)".

That, in our view, clarified the fact that the intention was to refer to regulation-making powers contained in other legislation. I am pleased to report that the amendment was accepted by the other place.

As you may be aware, Madam Deputy Speaker, the Delegated Powers and Regulatory Reform Committee in the other place performs a very important role. The Committee is appointed by the other place each Session, with the orders of reference

"to report whether the provisions of any Bill inappropriately delegate legislative power, or whether they subject the exercise of legislative power to an inappropriate level of parliamentary scrutiny".

It is fortunate that the Committee exists and ensures that the legislation we produce is workable and does not contain the kind of error that has led to the debate today.

Lembit Öpik: Leaving aside the question of feed-in tariffs, to what extent does the Minister feel that this measure improves in a practical sense the potential for joint operations between the Government and local authorities in trying to achieve carbon reduction targets? I ask because although we have had a fairly theoretical and almost esoteric debate, it will be useful only if it achieves the shared environmental goals that I think we all agree with.

Mr. Khan: I am grateful to the hon. Gentleman, who managed successfully to intervene on his third attempt, as I reached the final paragraph of my speech. My seven-year-old often says, "Third time lucky." She is clearly right.

The hon. Gentleman raised a point about local councils. The important thing is the power of local councils to make policies on local energy requirements for new developments. It demonstrates joined-up government between national Government and local government. It is important to give a sense of ownership so that residents feel that their local council is addressing their concern to have housing fit for the 21st century. I hope to see

more and better working together between not only local MPs and local councils, but local government and national Government.

With great regret, I come to the final paragraph of my speech.

Mr. Edward Vaizey (Wantage) (Con): More!

Mr. Khan: The hon. Gentleman, who is my good friend, will be on the Opposition Front Bench when the next Bill is considered. He asks me to go on, but I am afraid that I cannot, because I want to hear what he has to say.

I hope that, in the short time I have had, I have clarified for the House the background to the amendment, which I have considered at some length. I hope that I have not gone on for too long, but it is always important to be clear about the reasons for any change where matters of legislation are concerned.

I hope that I have fully explained the need for the amendment and that the House will accept it. I would hope that no one present today could find reason to object to it being included in the Bill.

I congratulate the hon. Member for Sevenoaks on this important private Member's Bill. He has managed to secure partnership among MPs from all parts of the House to ensure that they work together. He worked hard with officials, and I am grateful to them for all their hard work during the Bill's passage. There has been almost nine hours of debate in both Houses—proportionate time to ensure that we see progress being made on new developments.

I am also grateful for the patience and courtesy that the House has shown today, and for the working relationship that Front Benchers have established in securing the safe passage of the Bill. I support the hon. Member for Sevenoaks in saying that the House should agree with the other place in the said amendment.

Gregory Barker (Bexhill and Battle) (Con): I congratulate the Minister on his ministerial debut and on so skilfully negotiating his way through a rather technical first outing.

Conservative Front Benchers have been strong supporters of the Bill from day one, and it is refreshing to see the tack that the Minister has taken—the support, time and trouble that he has given to ensuring that the Bill gets on to the statute book.

Mr. Khan: One reason why we ought to be so conciliatory is the approach and tenor taken by Opposition Front Benchers and, more importantly, the personality of the hon. Member for Sevenoaks, who has managed to bring us together. One hopes that he can play a role in other areas of legislation, where greater working together may lead to greater fruits for the country.

Gregory Barker: I am sure that everyone will have heard those words. If we can help the Government in their hour of need, I am sure we will do so.

Mr. Vaizey: Send for Fallon!

Gregory Barker: Send for Fallon indeed.

This is a technical amendment. The Minister went into great detail and has answered the questions, so I do not want unduly to delay the House. This is important legislation because it is key to fighting climate change. It promotes a drive towards new localism and is key to promoting energy independence.

The Bill will now, I hope, complete its passage, and the Government's change of heart, after the initial obstruction, was greatly helped by the right hon. Member for Don Valley (Caroline Flint). With the Minister at the Dispatch Box also being so supportive, we can all agree that the sooner the Bill reaches the statute book, the better.

Richard Younger-Ross: It is unusual to be told, when one has prepared for one debate, that another debate has been put before it and that one has to read a brief on a very technical amendment before we get to the substance of the day. I thank my hon. Friend the Member for Cambridge (David Howarth) for his assistance in briefing me on this technical matter. With his learned knowledge, he may also have assisted the Minister earlier. I know the fear with which my hon. Friend is regarded in some circles because of his abilities, and his books sit in the Library and are referred to on such technical matters by all parties.

10.30 am

The amendment clarifies that the Bill does not create a new order-making power for national authorities—this Parliament and the Welsh Assembly—but simply relies on the existing powers of those authorities. The amendment brings clarification to the Bill's intent to allow local councils to set targets in their areas for on-site renewable energy and on low-carbon electricity energy efficiency standards in addition to national requirements. The Bill will cover England and Wales, and it will also require developers to source at least 10 per cent. of any new building's energy from renewable sources, implementing nationwide the so-called Merton rule. However, as Baroness Hamwee pointed out in the other place, Richmond is actually moving to 20 per cent., which shows that local authorities can make even greater progress. The rule was named after a planning policy first adopted by the London borough of Merton. The Government had implemented policies in this area, notably the planning policy statement on climate change, issued by the Government on 17 December 2007 after public consultation. Some councils, such as Merton, have already adopted environmentally friendly strategies, but the picture across England and Wales is rather mixed.

In conclusion—I have been brief, although that is not always the case when one speaks from the Front Bench—the Bill is much needed. I have in my constituency a company called Centrax, which makes combined heat and power units—

Madam Deputy Speaker: Order. I hope that the points that the hon. Gentleman intends to make are related to the Lords amendment.

Richard Younger-Ross: For fear of straying—

Mr. Khan: On a point of order, Madam Deputy Speaker. The hon. Gentleman began his contribution by saying that the main substance of the day would

[Mr. Khan]

come later. For the record, I wish to make it clear that—as far as we are concerned—this is the main substance of the day. This is a very important amendment from the other place, and we are pleased that the House is likely to accept it. It is important to clarify that point.

Madam Deputy Speaker: I am not sure that that was a point of order. Perhaps we could now concentrate on the remarks from the hon. Member for Teignbridge (Richard Younger-Ross) that relate to the Lords amendment.

Richard Younger-Ross: Any comments that I made about substance referred to length of time, not necessarily import. This Bill is certainly more important than the next Bill, although—

Madam Deputy Speaker: Order. I have been fairly lenient with the hon. Gentleman, but I must now say that his comments must be in direct relation to the Lords amendment before us on this Bill.

Richard Younger-Ross: I have nothing further to say, Madam Deputy Speaker.

Mr. Fallon: With the leave of the House, I wish to thank colleagues who have supported this amendment this morning for their kind words. I also congratulate the Minister on his debut performance.

The only substantive point that has been made this morning is the allegation by the hon. Member for Hendon (Mr. Dismore) that the Bill is somehow a blank cheque. I wish to reassure him on that point. The Bill could have been construed—although I agree with the hon. Member for Cambridge (David Howarth) that it was unlikely that a court would have done so—as conferring a new order-making power that did not exist elsewhere in authority. However, the Bill would ensure that any future enactment is fully approved by this House, so it is not a blank cheque. Therefore, if we want local authorities to go further and faster, as we do, they will be able to do so.

I remind the House that this is a permissive Bill. I am most grateful for the support that it has been shown, and I hope that it will now proceed.

Lords amendment agreed to.

Broadcasting (Television Licence Fee Abolition) Bill

Order for Second Reading read.

10.35 am

Mr. Christopher Chope (Christchurch) (Con): I beg to move, That the Bill be now read a Second time.

As the hon. Member for Teignbridge (Richard Younger-Ross) said, this is the substance of the day. It is also a highly topical subject, notwithstanding the fact that I gave notice about 10 months ago of my desire to debate this subject on this day, the last day on which Members have a chance to discuss potential private Members' legislation. Obviously, because it is the last day on which private Members' Bills can be discussed in this Session, the Bill has no prospect of reaching the statute book. Even if it were to conclude all its stages in this House today, it would not have time to be considered in the other place. So this debate is more along the lines of the debates that we used to have on Fridays when I was first elected—on a subject of a Back Bencher's choosing with a motion at the end of the debate. The removal of that opportunity from Back Benchers was a backward step, because there are several issues of concern to them that may not necessarily be of such concern to Front Benchers, or they may be nervous of initiating a debate on such issues for fear of misrepresentation.

We have the prospect today of having an excellent debate, and I shall begin by welcoming the Minister who will respond to it. This debate is about abolishing the television licence fee, which is more accurately described as the television tax. It is not about abolishing the BBC. One can be a friend of the BBC—as I am—without being a supporter of the licence fee, although the lengths to which the BBC sometimes goes to defend the licence fee often create enemies.

I count myself with those who consider the World Service to be the best that the BBC produces—impartial, informative and often entertaining, with the ability to separate news from comment. It is all funded by direct taxpayer grant via the Foreign Office, which last year amounted to £264 million. That money was raised from the taxpayer on the basis of ability to pay. The World Service encapsulates the best of BBC values and is a living demonstration of the fact that those values do not depend on the licence fee. Let us hope that during this debate no one is tempted to resort to that tired misrepresentation that only the licence fee can protect BBC values.

In a recent MORI poll, to which I shall refer again later, it became clear that the public do not believe that the protection of BBC values is dependent on licence fee funding. Last week, I was present when Michael Grade, now the boss of ITV, addressed a breakfast meeting organised by the Royal Television Society. In commenting on Ofcom's public service broadcasting review, he described the "seismic shifts" under way in broadcasting and called for "a new settlement" to sustain the health of British broadcasting. He said that that was needed urgently and had to be implemented before the end of 2012. That date coincides with the requirements of my Bill—that the licence fee should be abolished no later than 31 December 2012, by which time the digital

switchover will be completed. So, what is wrong with the licence fee at the moment? It is a tax on almost every household in the land, irrespective of ability to pay.

David Howarth (Cambridge) (LD): For the most part, the hon. Gentleman is making an interesting case. How would he respond to the large number of my constituents who do not possess television sets and are therefore persecuted by the licence fee authorities? Perhaps we might return to that subject later. Under his proposal, those people would end up paying tax for a service that they do not want to receive. They would therefore be worse off than they are now, as long as they are not further interfered with by the authorities.

Mr. Chope: The hon. Gentleman's point is fair. I am concerned, as he is, about those people who feel that the licence fee is an impost. They do not want to watch television and they certainly do not want to watch BBC television, yet they find themselves having to pay the fee. If we funded the public service element of the BBC output in some other way, whether by subscription, direct grant or a mixture of advertising and sponsorship—all those options have been proposed by different organisations—the burden that the hon. Gentleman says would fall on his constituents through direct taxation would not be anything like the burden that is faced by those who have to pay the licence fee.

The situation would be more analogous to the situation with the Arts Council. The Arts Council is funded directly by the taxpayer to the extent of about £500 million a year, and it decides how to reallocate those funds between different deserving causes that promote the arts in accordance with Arts Council principles. My Bill does not address the issue of what to put in place in terms of funding for the BBC, but it would prompt a big debate about alternative funding. I hope that the hon. Member for Cambridge (David Howarth) agrees that the Arts Council model in relation to public services for the arts might be a valid one.

Mr. Andrew Dismore (Hendon) (Lab): The hon. Gentleman has just reached the point that troubled me about his Bill. Basically, this is a very anarchist approach to funding our public service broadcaster. He wants to sweep away the existing method of financing through the licence fee and has only the vaguest idea of what to put in its place. The Bill should never have seen the light of day. It does not in any way, shape or form deal with the fundamental issue, which is worthy of debate, about the funding of the BBC. It simply sweeps away what exists now and provides nothing in its place. If the Bill were to be approved by the House—technically and theoretically, it could go through all its stages today—the consequence would be that the BBC would close down tomorrow.

Mr. Chope: That is not correct. It is not incumbent on legislators to impose any alternative solution. There are already powers under the relevant legislation for the Government to fund the BBC in ways other than through the licence fee.

Mr. Philip Hollobone (Kettering) (Con): I commend my hon. Friend for his Bill. It is wonderfully short, so I am surprised that the hon. Member for Hendon (Mr. Dismore) has not read clause 2(2), which states that were the Bill to be enacted, it would come into force on 31 December 2012. The idea that the BBC would shut down tomorrow is simply not true.

Mr. Chope: And it would not even shut down then. All that the Bill would do is ensure that the despised compulsory impost of the BBC TV licence fee would be removed from the statute book.

Lembit Öpik (Montgomeryshire) (LD): Apart from the fact that the hon. Gentleman seems to have misunderstood the question from my hon. Friend the Member for Cambridge (David Howarth), he also seems to think that it is perfectly acceptable to impose a requirement on the BBC to generate advertising revenue. Does the hon. Gentleman have any idea of the financial strictures facing ITV and the other commercial elements of the broadcasting sector? What exactly would he do for ITV and the others by way of compensation for removing hundreds of millions of pounds from the BBC and requiring the BBC to compete on a level footing with that sector while advertising revenue is diminishing?

Mr. Chope: I do not know whether the hon. Gentleman was present at the Royal Television Society breakfast at which I was present, but he would have heard Michael Grade explaining ITV's predicament. ITV has a public service broadcasting obligation, in terms of the licences under which it operates, and Michael Grade estimates that in the next couple of years a lot of the ITV companies will go into deficit in meeting that public service broadcasting objective. That is why he, Ofcom and others are arguing that we need a central fund of taxpayer-funded resources that can be drawn on by those who provide public service broadcasting for use in that particular type of broadcasting—not in general entertainment broadcasting.

Lembit Öpik: I am even more confused now. The hon. Gentleman is suggesting a central taxpayer-funded pot for public service broadcasting. I would be interested to know whether that would come from general taxation, in which case he will be taxing people who do not watch television. Alternatively, does he have some other plan for a form of taxation to provide the PSB requirements? We should also bear in mind that Michael Grade, who is a great man, had a very different point of view when he was at the BBC.

Mr. Chope: I shall not comment on whether Michael Grade had a different point of view when he was at the BBC. The hon. Gentleman's point about having to fund public service broadcasting from general taxation and the idea that that would be an impost on those who do not benefit from that service are true, but the same is also true of funding for the Arts Council. If general taxpayers do not use any of the Arts Council sponsored or subsidised services, they could say that they were contributing to the Arts Council but not getting anything in return. The same is true of a host of other generally publicly funded services. Obviously it is true of the health service. People without children contribute to the cost of education through their taxes, although they do not see any direct benefit. Other people opt out of the system and end up paying twice. People opt out of the health service and those who are in good health pay without needing it at the moment.

[Mr. Chope]

If we start suggesting that all taxpayers' money should be allocated on a hypothecated basis, that is anathema to the Treasury and to many other policy makers. I must say that I disagree with the hon. Member for Montgomeryshire (Lembit Öpik).

Richard Younger-Ross (Teignbridge) (LD): The hon. Gentleman tried to make a comparison between funding for the BBC and funding for the Arts Council, but surely that is like comparing chalk and cheese. The Arts Council has a specific remit within a limited field. The BBC provides arts programmes and educational programmes, and is required to produce public broadcasting for the general good, but it also provides a good deal of general entertainment. In some cases, the comparison is more like going to the cinema than the Arts Council. If people go to the cinema, they pay when they go through the door.

Mr. Chope: That would be so if I was suggesting that all the BBC's services should be funded by such a body. I am talking about those services that can be described as containing a public service element. In a few minutes, I shall come to the comments made recently by a member of a body that has argued strongly in favour of setting up such an organisation. David Cox is a member of the Broadcasting Policy Group and that body has suggested that a new organisation should be set up to disburse public money for public service broadcasting.

He says that enthusiasts for public service broadcasting, such as him, want as much money as possible but recognise that there would have to be some constraints. In his article, he gives an estimate of how much he reckons would have to be raised in that regard.

Mr. Dismore: The hon. Gentleman has focused on television, but the BBC provides our national radio services, which are also funded from the licence fee. How does he propose that radio services should be funded? Is "Today in Parliament" to be sponsored, or subject to advertisements? If so, how will we ensure proper political neutrality in such advertisements and sponsorship?

Mr. Chope: The hon. Gentleman perpetuates a myth put forward by the BBC that we need £3.5 billion a year to fund BBC Radios 3 and 4, which cost about £50 million a year. In so far as they have a public service broadcasting element, they would be eligible, under my system or some of the systems being proposed, for taxpayer funding through a central grant. The suggestion that we need to spend £3.5 billion raised through the licence fee to ensure that the hon. Gentleman can listen to "Today in Parliament" or "Yesterday in Parliament" is a complete myth. Although the programme may be popular among Members in the Chamber today, I am not sure that many people outside this place listen to it—certainly not unless it is more entertaining and less intense than this debate is becoming.

Richard Younger-Ross: I thank the hon. Gentleman for graciously giving way again. If the Government are the body responsible for setting the tax level that the BBC receives, and given that they have had arguments with the BBC over some of the programmes that were to be broadcast and that the previous Conservative Government also had arguments with the BBC—a certain gentleman famous for telling people to get on their bikes was prone to attack the BBC—is there not a danger that Governments would use the threat of cutting the taxes as a way of trying to control the BBC's output?

Mr. Chope: The best answer to the hon. Gentleman's latest intervention is from Greg Dyke, the former director general of the BBC. In a recent article, he wrote:

"The argument against is that it would further endanger the BBC's political independence. But how can it be worse than last year when Gordon Brown intervened personally to limit the size of the BBC's licence fee increase? The advantage of giving the BBC a direct grant—and I'm sure all sorts of political safeguards can be attached to a new system to make it more robust than the current one—is that you would save the cost currently paid to collect the licence fee".

That cost is about £120 million a year. He points out that such changes have already happened in the Netherlands and in some Scandinavian countries. Indeed, earlier this week, I was at a parliamentary meeting in Estonia and discussed such ideas with a parliamentarian from Belgium who told me that the same system had been adopted in Flanders and was likely to be extended to the rest of Belgium shortly.

Greg Dyke notes in his article that he is not sure that he will be loved by the BBC for making his comments, but he thinks there is great logic in scrapping the licence fee. He says that it has

"always been an unfair tax—the rich pay the same as the poor—and...it will be increasingly difficult for the BBC to collect the amount they collect now. In the age of internet TV, how can you insist people continue to pay a licence fee? A licence fee for what? Already you don't need to pay the licence fee to watch most of the BBC's programmes if you watch them on your computer via the iPlayer".

I pray in support of my Bill, Mr. Greg Dyke. Although in the end he did not have the opportunity to become Mayor of London I am sure he might find favour with an incoming Conservative Government as a potential candidate to oversee an independent body or board to distribute resources in respect of genuine public service broadcasting.

One of the biggest arguments against the licence fee is the duke and dustman argument, which was used extensively against the advocates of the community charge. However, students had to pay only 20 per cent. of the community charge. Under the licence fee, they have to pay the full charge even though they may live in a shared house and watch no BBC television at all, merely having a TV card on their laptop. In that respect, the licence fee is worse than the community charge in terms of its impact on those who are less able to afford it. Indeed, it is said that more than one third of adults watch less than five hours of BBC television a week and more than one in eight watches less than 15 minutes a week. At least one could argue that the community charge was used for the collection of refuse and everyone contributed because they needed that service, but even that justification is not available for the BBC licence fee.

Richard Younger-Ross: The hon. Gentleman made a pertinent point about some of the people who are asked to pay the licence fee, and some consideration should perhaps be given to how student households are affected.

I remember that elderly people in my constituency thought the community charge unfair and found it hard to pay, but TV licences are free for the over-75s and many people qualify for concessions; for example, the blind concession reduces the cost by 50 per cent. I do not recall that blind people had a concession on their community charge. People who live in residential care may be entitled to a reduced-fee TV licence under the accommodation for residential care concession and so on. The hon. Gentleman may be distorting the concessions that were made under the community charge.

Mr. Chope: There is a limit to how far one can draw the analogy between the community charge legislation and the BBC licence fee.

Richard Younger-Ross: The hon. Gentleman started it.

Mr. Chope: I started it, but where I think I am on to a winner is that, just as when people started to think about the community charge they became hostile towards it, particularly towards its perceived unfairness, so there is increasing hostility towards the unfairness of the BBC licence fee. Earlier this week, I was talking to the hon. Member for Sunderland, North (Bill Etherington), who is much exercised by the unfairness of the licence fee and would much prefer the public service element of broadcasting to be funded by a progressive tax rather than a regressive one.

David Howarth: I am grateful to the hon. Gentleman for giving way at that point because I have just heard him support arguments for a local income tax, which I never thought I would hear from him.

Mr. Chope: The hon. Gentleman will not draw me into that debate. I shall not comment, except to point out that I have never been persuaded of the case for a local income tax. Taxes are too high and should not be increased. The consequence of a local income tax would be that everybody would pay much more income tax and have less money to spend on their own priorities.

To answer the hon. Member for Teignbridge, it is not as though there is no cost associated with the concession for the over-75s: the taxpayer pays £520 million a year for it. It is presented as an act of generosity by the Government, but if the Government have £520 million to spend on the over-75s, they should give them the money in their pocket, so that they can spend it as they wish, rather than handing it as a proxy payment, made on their behalf, that goes toward the funding of the BBC. The redirection of that taxpayers' money—£520 million—would be another side benefit of the enactment of the Bill.

The March 2006 White Paper "A public service for all: the BBC in the digital age" contained a justification for the BBC licence fee, stating:

"Consultation and research...has demonstrated support for the licence fee to continue as the 'least worst' way of funding the BBC."

That is hardly a ringing endorsement.

Lembit Öpik: The hon. Gentleman may not think that that is a good justification, but surely the inescapable logic of that statement is that every other form of funding would be worse?

Mr. Chope: That was the assessment at the time of the White Paper, but one of the problems is that so many of the alternative forms of funding have been the subject of misrepresentation such as we have heard from some of the diehard defenders of the licence fee in the Chamber today.

The White Paper also quoted Ofcom, citing

"public support for a flat fee, on the basis"—

this is one of the most spurious and specious arguments that I have heard—

"that television, unlike other public services like healthcare and education, is something of a 'luxury'."

If that is true, why are the Government funding the licence fee—providing a luxury—for the over-75s? In fact, most people regard having access to television receiving equipment or possessing a mobile device that can receive television as essential, just as they regard having a telephone as essential. The question then arises about the use to which the equipment is put, but to describe having television receiving equipment as "something of a 'luxury'" is to be out of touch with today's reality.

Recent polls have provided quite a lot of evidence of people's concern about the BBC licence fee arrangements. On 18 August, *The Guardian* published a MORI poll showing that 47 per cent. of respondents disagreed with the proposition that the BBC licence fee provided value for money, and only one in three agreed with it. I suspect that a closer look at the figures would reveal evidence to suggest that the BBC is in breach of its duty under the charter to provide value for money.

I do not want to be drawn into a debate on what is causing people to think that the BBC does not provide value for money. One of the reasons they are saying that might be that they never watch or do not have access to BBC programmes, but another reason might be the very high salaries that the BBC pays to some of its top managers and the very large number of managers in the organisation.

Mr. Edward Vaizey (Wantage) (Con): Excessive.

Mr. Chope: As my hon. Friend obviously knows, leaving aside the people on the board, the BBC has 744 senior managers. Of those, 672 have salaries in excess of £70,000 a year; 343 have salaries in excess of £100,000 a year; 172 have salaries in excess of £130,000 a year—I cannot remember whether we have passed your salary scale yet, Madam Deputy Speaker—83 have salaries in excess of £160,000 a year; 39 have salaries in excess of £190,000; and 13 have salaries in excess of £250,000 a year. These people are not the great artists but the managers. I shall not even talk about the £195,000-a-year pension payable to Jenny Abramsky.

Such salaries create a feeling among the public, who have to pay the licence fee, that something has gone wrong in getting value for money. Whenever the BBC is challenged on the topic, it denies that there is a problem, but parliamentary scrutiny should include bringing in the National Audit Office to audit properly what goes on in the BBC. I am sure that my hon. Friend the Member for Wantage (Mr. Vaizey) supports that proposition.

The people who are concerned about the BBC but who also have the BBC's best interests at heart include Antony Jay, the creator of "Yes Minister" and a man

[Mr. Chope]

who knows his way around television broadcasting very well. In a recent article, he states his belief that, for lovers of the BBC, the best thing to do is to get the BBC to face up to the reality that a different system from the present one is needed. He says:

"BBC1 and Radio 4 between them cost about £1.5bn."

On where the money would come from if not from the licence fee, he says it would come

"Partly from the profits of BBC Worldwide. Currently these run at about £100m a year"—

although he thinks that that could be increased if the BBC became more professional in its marketing. He also thinks that there are opportunities to fund the BBC in other ways, including the equivalent of an Arts Council budget. He does not want to see the BBC fade away, but does not think that the present system is sustainable. He thinks that a mix of alternative sources of funding, perhaps including viewer subscriptions, is the way forward.

The total amount of taxpayers' money already being put into public service broadcasting, in addition to the amount that people pay through the licence fee, is not far short of £1 billion a year. There is £264 million for the World Service and £508.4 million for the free licences for the over-75s. A significant sum—we do not have exact figures—is required to meet the costs to the Ministry of Justice of running the courts dealing with licence fee evasion cases. According to the last figures available, in 2006, 129,000 such cases came before the courts, resulting in 113,874 fines being imposed. All those proceedings had to be funded and were an enormous burden on Her Majesty's Courts Service. Indeed, 24 of the cases resulted in people being sentenced to imprisonment. Those costs are obviously met directly by the taxpayer.

There are also collection costs, and another element of taxpayer funding of broadcasting has recently been revealed: sponsorship of ITV. It came as quite a revelation to people that the Government were giving us a soft sell of their policies by providing sponsorship money for various ITV programmes that were to do the Government's propaganda job for them.

A very large sum of money going into broadcasting comes from the public purse. It ill behoves anybody to suggest that it would be anathema, and inconsistent with what goes on at the moment, to transfer some of the money needed for public service broadcasting from the licence fee to another pot of public money. Some people argue that it would be dangerous to mix public funding with advertising, but that is already happening at S4C, which has direct Government grant as well as advertising. That is relevant, too.

Are people outside the House concerned about the issue? There are, to my knowledge, several e-petitions on the subject. One of them has been submitted by David Cormack, who says:

"Independent economic research analysis and investigations by consumer protection organisations such as the National Consumers Council have consistently concluded, for many years, that the UK TV licence is a levy which is regressive in its financial impact on the poor. This gross iniquity is perpetuated in essence by the UK Government upon its most vulnerable citizens. This situation is even more outrageous in an age when the poor may receive only 5 terrestrial TV channels, for which the TV licence contributes to the cost of only BBC output, yet the more wealthy within the UK tend to enjoy dozens, or even hundreds of digital or satellite TV channels at comparatively little extra cost to them per channel. This petition accordingly urges the Government to abolish the UK TV licence and allow the BBC to make use of"

alternative forms of income generation.

Another e-petition has been organised by BBCresistance. The fact that such organisations have been set up shows the strength of feeling on the subject among ordinary people. I have also come across the Campaign to Abolish the Television Licence. Again, there is a link between its arguments and the arguments against the community charge or poll tax. That indicates that we need to think about where we go from here, and shows that the debate is highly topical.

I shall conclude, because it is important that other Members have a chance to speak. I am delighted that my hon. Friend the Member for Wantage, who is on the Front Bench, will respond to the debate for my party. He will know that, in 1971, an incoming Conservative Government abolished the licence fee for radio. I do not expect him to pledge today that an incoming Conservative Government in 2010 will abolish the TV licence fee, but I hope that he will accept that we cannot let matters rest here, to use the immortal words of our right hon. Friends the Leader of the Opposition and the shadow Foreign Secretary. Those are words relevant to the Lisbon treaty and the EU constitution, and they are equally relevant to this debate about the licence fee. The present situation is unsustainable. Public service broadcasting by ITV is in grave jeopardy and the BBC licence fee payers are in revolt. They are looking to an imaginative, incoming Conservative Government to do something about it, and I hope that they will.

11.15 am

Mr. John Grogan (Selby) (Lab): It is a great pleasure to follow such a self-proclaimed good friend of the BBC. It is obvious that the hon. Member for Christchurch (Mr. Chope) has the best interests of the BBC at heart, as he said. The centrepiece of his speech was his reference to the licence fee as a tax on every household in the land, irrespective of ability to pay. I intend to try to deal with that issue. It is worth reflecting, as the hon. Gentleman himself mentioned, that he has form on the issue of taxes. He told the House, at 4.34 am in March 1990:

"Of all the alternatives to the domestic rates, the community charge is by far the fairest system."—[*Official Report*, 27 March 1990; Vol. 170, c. 400.]

I am glad that, over the years, he has moved on in his thinking about the impact of those charges on the poor. The issue has to be confronted; obviously, the licence fee is a flat charge, although there are numerous concessions, both for the over-75s, as has been mentioned, and for others.

The hon. Gentleman referred to those who argue that the licence fee is the least worst system for funding the BBC. Winston Churchill said the same about democracy—that it was the least worst system of government. There is sometimes something to be said for the least worst system, and that is what I intend to concentrate my remarks on.

The hon. Gentleman has form on this issue: he introduced a ten-minute Bill to abolish the BBC licence fee just eight years ago. On that occasion, he quoted approvingly the *Daily Star*, which had said that

"BBC programmes are about as exciting as old wallpaper paste".

I was waiting for him to give us examples of things that the BBC does well, but apart from the World Service I do not think that he referred to one thing that he treasured in the BBC.

I was looking at the things that the BBC has done since 2000, thinking that perhaps one of them might have tempted the hon. Gentleman to change his attitude to the licence fee—for example, Freeview, which is perhaps Greg Dyke's greatest legacy to the nation. It brings digital TV to millions of people and is now the digital platform of choice. Perhaps freesat, a great collaborative venture between ITV and the BBC, or the iPlayer, which he mentioned, might have modified his attitude, or some of the great programmes that the BBC has produced since 2000. Programmes such as "Planet Earth" have been viewed by millions of viewers. The old argument that there was a golden age of the BBC that we have lost is deeply flawed. Programmes such as "Planet Earth" are watched by far more people than ever watched "Civilisation" in the 1970s, because of the expansion of education and BBC output.

I thought that perhaps some of the comedy might have tempted the hon. Gentleman to change his mind, albeit perhaps not the comedy on BBC3; it might not be to the hon. Gentleman's taste, even though the channel is increasing its reach. However, some of the great comedy on BBC2 might have appealed to him, such as "The Office". Perhaps, dare I say it, "Grumpy Old Men" might have tempted him to modify his position on the BBC. However, none of those programmes did.

Mr. Chope: As I understand it, the hon. Gentleman is chairman of the all-party pro-BBC group, and I congratulate him on the research that has obviously been done for him, but does he accept that he is effectively trying to attack an Aunt Sally? I am attacking not the BBC or its content, but the fact that it is funded through the licence fee. I hope that he will address that issue and will argue why it would not be possible to have an alternative way of funding the BBC without losing what he regards as the best parts of the BBC.

Mr. Grogan: I intend to develop that argument exactly as the hon. Gentleman suggests. I accept that he has the best interests of the BBC at heart because he says so. I do chair the all-party parliamentary BBC group. We like to regard ourselves as critical friends of the BBC and I have one or two criticisms to make as I develop my argument.

The system of collection of the licence fee is fairly robust. When the BBC took over responsibility for collecting the licence fee in 1990, 90 per cent. of the fee was collected. The figure has gone up to 95 per cent. The costs of collection are £120 million, as the hon. Gentleman said, but the BBC has reduced them considerably over recent years. The present cost is only 4 per cent. of the licence fee, as opposed to 5 per cent. when we had the ten-minute Bill debate in 2000—a saving of £30 million.

Mr. Chope: Does the hon. Gentleman accept that if one takes out the lump sum that comes from the Government in respect of those who are over 75—the £500-plus million—the collection costs are 4.5 per cent. of the remainder? Does he further accept that one of the prices that has had to be paid is that the licence fee is no longer payable through post offices? That decision has contributed to the demise of a number of our post offices.

Mr. Grogan: I am a great supporter of our post offices. One of the reasons I am on the Back Benches rather than on the Front Bench is that I have tended to vote that way when the opportunity has arisen in the House on motions on the Post Office. I share the vigour of the hon. Gentleman's defence of post offices. It is a pity that the BBC licence fee cannot be paid at a post office, though it can be paid through PayPoint.

The hon. Gentleman mentioned the change in technology and posed the question whether the licence fee was undermined by the fact that content can now be downloaded from the iPlayer after the event or accessed by other means. He cited the arguments put by Greg Dyke. Ninety per cent. of households still have televisions, the overwhelming majority of which pay the licence fee. If one accesses BBC content live, whether through television or computer, one is liable to pay the licence fee.

The hon. Gentleman mentioned BBC resistance, a group that I had not heard of before and which he seemed to mention with approval. I do not detect a widespread movement of resistance to paying the licence fee, although it is right that the BBC Trust is investigating other methods of collecting the fee and reviewing whether all the ways of pursuing people to ensure that they pay are appropriate. We all look forward to the BBC Trust's report in due course.

Mr. Chope: Does the hon. Gentleman accept that the terms of reference adopted by the BBC Trust are narrow? The review does not invite people to consider whether non-payment of the TV licence fee should be decriminalised, whether it is reasonable that there should still be imprisonment for non-payment, or whether there might be an alternative to the licence fee as a means of paying for the BBC.

Mr. Grogan: Some of those suggestions go way beyond what the BBC Trust is trying to do. It is trying to fulfil its responsibilities of overseeing the collection of the licence fee. It is not up to the BBC Trust to initiate a debate on alternatives to the licence fee. The hon. Gentleman mentioned sponsorship approvingly. The BBC Trust has reprimanded management about sponsorship of the Proms and Sports Personality of the Year, thereby showing that it has teeth. Its investigation of the topic is to be welcomed.

The hon. Gentleman mentioned a range of alternatives—subscription, advertising, direct Government funding, and sponsorship. Subscription to the BBC would destroy the universality of access. It would destroy moments such as those that we all enjoyed during the Olympics a few weeks ago, when the whole nation celebrated moments of great sporting success together, and it would destroy the fundamental principles of the BBC.

President Sarkozy of France is a great admirer of the BBC. Indeed, his wife appeared on the BBC on the Jools Holland show late at night on a Friday.

Mr. Vaizey *indicated assent.*

Mr. Grogan: I do not know whether that programme might tempt the hon. Member for Christchurch late at night on a Friday. It clearly tempts his colleague on the Front Bench, the hon. Member for Wantage (Mr. Vaizey). President Sarkozy is now insisting that the French public service broadcaster drop advertising and move in a different direction. ITV certainly would not support the BBC having advertising. An already volatile market would collapse if the BBC were funded in that way.

Sponsorship offers a limited possibility of funding. Total TV sponsorship across all the channels is less than £100 million a year and does not provide an alternative to the licence fee. That leaves direct taxation. One of the great things about the licence fee, even though it is a matter of public controversy, is that it is fixed till 2012. That is a long time in terms of public funding. It is not subject to an annual spending round. If the chairman of the BBC had to troop in to see the Chancellor every year, that would, over time, impact on the BBC and undermine the cutting edge of a presenter such as Jeremy Paxman.

KPMG did a study of public service broadcasters around the world that examined different models of funding. The hon. Gentleman's advocacy of the system in Belgium does not offer great comfort to me. I do not know whether he can name the public service broadcaster in Belgium or assess its impact on world culture, but I imagine it is rather small compared with that of the BBC. He cited the mixed model of funding for S4C, but that is a small player.

Studies from around the world show that if we want a strong public service broadcaster that can bring programmes with high quality content to the whole nation, the licence fee model stands out as the best model. In Australia and Canada, the public service broadcasters, ABC and CBC, are far weaker and rely on the BBC for much of their programming content. If we want high quality, there is much to be said for sticking to the model of the licence fee.

Lembit Öpik: Does the hon. Gentleman agree that many of the programmes that we all praise and that make the BBC what it is today are possible only because the BBC has direct access to funding that does not have to be repaid in a commercial sense? Further to that, many of the other commercial enterprises in the broadcasting sector depend on the mentoring and the tutelage of the BBC, which effectively supplies many of the staff across the board who start in the BBC and move on to the independent sector.

Mr. Grogan: The hon. Gentleman makes a good point, which gets to the crux of the matter. The hon. Member for Christchurch advocated a sort of arts council of the air. There are a number of problems with the idea that public service broadcasting could be preserved if the licence fee were top-sliced or abolished entirely and all broadcasters could bid to make programmes. The fact that the BBC provides such high quality programming is something to do with the security and continuity over time of the institution. People can be creative and take risks in comedy, drama and political and news coverage.

If every programme had to be bid for in some sort of arts council of the air, as happened in New Zealand, quality would deteriorate. It would hardly be good for Channel 4 if the licence fee were top-sliced and it had to be publicly accountable for the licence fee in the same way as the BBC is. Would "Big Brother" or "Dispatches" be supported by the licence fee? We have to look for other models of the BBC supporting the rest of public service broadcasting, rather than top-slicing the licence fee and breaking the link between licence fee payers and the BBC.

Mr. Chope: Will the hon. Gentleman give his view of what should be done, in the light of the Ofcom review, to promote competition among regional news channels, for example? ITV regional news will die as a public service news organisation unless it receives money from somewhere. At the moment, the BBC is enjoying a monopoly of public service revenue. Should that not be shared?

Mr. Grogan: The hon. Gentleman has cited Michael Grade; it is a complete misrepresentation of his position to say that he wants public funding for ITV. I shall come to suggestions about how we can preserve more of our public service broadcasting, but the last thing Michael Grade wants is the licence fee. He made that perfectly clear in his remark at the breakfast.

Today's debate is important. I like to consider how the different Front-Bench and Back-Bench members of the modern-day Conservative party view Polly Toynbee. How do they react when they see an article by her in the Tea Room? I am sure that some read her avidly and are interested in the view of *The Guardian* on a whole range of issues, but I suspect that the hon. Member for Christchurch is not one of them. It is interesting that only last week Polly Toynbee—one of the great advocates of the BBC—wrote in *The Guardian*:

"The BBC stands as the only truly admired emblem of Britain; trusted, envied and valued, a gift to the rest of the world."

Mr. Vaizey: I am interested that the hon. Gentleman has brought up Polly Toynbee; the Secretary of State has also done so. The hon. Member for Selby (Mr. Grogan) likes to give the impression that the Labour party is an uncritical supporter of hers; if it supports her views on the BBC, does it also support her view that the Prime Minister should resign immediately as he is a lame duck?

Mr. Grogan: I was going on to say that I would not endorse all of Polly Toynbee's views. I hasten to add that, in recent months, I have been an enthusiastic supporter of the Prime Minister when some others were not.

There is something that encourages me about the modern-day Conservative party and its reading of Polly Toynbee—and I mean this most sincerely, as someone used to say on ITV. The Conservative party has had at least as much to do with the BBC and its development over the years as the Labour party. The Conservative party created the BBC and created not its current charter, but its previous two. I was encouraged to hear the Leader of the Opposition say recently to his Scottish party conference:

"Another institution we can all be proud of is the BBC. The British Broadcasting Corporation was founded by a Scotsman and is the most prestigious broadcaster on earth. People around the world tune into the BBC for news they can trust. The BBC also reminds us of our common culture. Programmes like Doctor Who and Mastermind aren't English or Scottish—they're British."

Mr. Chope: It so happens that I have read one of Polly Toynbee's articles on this subject. Does the hon. Gentleman agree with her statement that

"no BBC employee deserves more than the prime minister's £187,000"?

Mr. Grogan: There is an argument for that; those who are leading at the very top of the BBC must recognise that they are going to earn less than they would in the private sector, although I do not want to name a particular figure. The BBC clearly has to pay for top talent, because it is a complex organisation to manage and it needs top talent to appear on our screens as well. However, such people should recognise that their terms and conditions will involve a little less pay than they would receive in the commercial sector. Nevertheless, the BBC should pay decently those who manage one of our most valued and cherished public institutions.

Lembit Öpik: As the hon. Gentleman knows, BBC staff accept that they effectively take on a financial penalty for working at the organisation. However, its culture is so strong and the working environment there is so attractive in respect of creativity and what they can do, that they accept that cost. Is that not one of the most powerful testimonies of the benefits of the BBC as it is now structured and a reassurance to the public that paying for the licence fee does not mean paying through the nose for BBC staff?

Mr. Grogan: The hon. Gentleman is right; clearly, every penny of BBC expenditure has to be scrutinised, and the new system of the BBC Trust under Sir Michael Lyons is doing that job better than the old Government system. The BBC Trust is a relatively new form of governance, but it is stressing value for money. I hope that we will hear from the Opposition strong statements of support for the BBC in line with the solid Tory tradition to which I referred. The BBC is not the property of any particular political party; it belongs to the nation. Of all British institutions, it speaks to the world; Polly Toynbee was right on that, and I hope that Conservative Front Benchers share that view—the Leader of the Opposition seems to. The BBC is a global institution of which Britain can be proud, along with premier league football and some of the songs of our most popular bands, which are renowned in popular culture throughout the world.

Mr. Chope: I am grateful to the hon. Gentleman, who has been very generous in giving way. To what extent does he think that Mark Thompson's salary of £816,000 a year is an underpayment?

Madam Deputy Speaker (Sylvia Heal): Order. I remind hon. Members that we are discussing the television licence fee, not the salaries of individuals.

Mr. Chope: Madam Deputy Speaker, Mr. Thompson's salary of £816,000 is directly paid by those who pay the licence fee; that consideration was behind my intervention.

Madam Deputy Speaker: I realise that, but still think that the general thrust of this debate is whether the television licence should be abolished.

Mr. Grogan: Thank you, Madam Deputy Speaker; obviously, I shall follow your ruling.

Lembit Öpik: Madam Deputy Speaker, I hope that I am in order in saying that my earlier point was that the BBC tends to pay less than the independent sector for the same level of staff. Does the hon. Gentleman agree that, far from being expensive, BBC staff are extremely good value for money, and that it is inappropriate—

Madam Deputy Speaker: Order. I have already made a ruling on this matter.

Mr. Grogan: Thank you, Madam Deputy Speaker; I shall follow your ruling to the letter.

We are having this debate at a timely moment. Over its 80-year history, the BBC has been too centred on London. This week has been dramatic, with lots happening in the world economy and so on. The House may have missed a speech by Jana Bennett, director of BBC Vision, who announced much more ambitious targets for moving BBC production out of London to the nations and regions. By 2016, a third of all BBC production will come from the English regions, up from 26 per cent. now. Scotland, Wales and Northern Ireland will account for 17 per cent. of the production of all BBC programmes by that stage—nearly a tripling of their output. As Jana Bennett said,

"there is no substitute for being there."

It has taken the BBC a long while to learn that lesson. It will be simply fantastic when Manchester can boast BBC Radio 5 Live, 5 Live Extra and the two children's channels. A lot of BBC commissioning has gone to Manchester through BBC Learning as well. In answer to the question put by the hon. Member for Christchurch about what more the BBC can do to assist other public service broadcasters, I should say that the sharing of facilities is one of them. The BBC management have suggested that they could share some of their local and regional news output and some of their research and development with the commercial sector; they have already co-operated with ITV on issues such as Freesat.

In the coming months, it will be interesting to see how BBC management can monetise that sharing of resources, how they can be more specific and what suggestions they make to Ofcom and the Government about how they can do that. In the meantime, there will be a revolution for viewers and listeners in the voice of the BBC and where the programmes come from.

The Welsh newspapers were saying a couple of days ago that Auntie is becoming Welsh. "Crimewatch" is moving to Wales, as, possibly, is "Casualty". I think that Members on both sides of the House will welcome that move because, as the hon. Member for Christchurch said, there is a danger that ITV's regional heritage and tradition is weakening, which means that there is even more merit in the BBC becoming stronger in the regions.

Sport on the BBC is one of the joys of the nation. It is tremendous to be able to watch great sporting events without the interruption of adverts. The BBC was the only major public service broadcaster in the world to stay after the Olympics to cover the Paralympics. During the Olympics and the Paralympics, it delivered the red button service—a product of Freeview, Freesat and technology that the BBC has developed over the years. That was a tremendous bonus for a sports fan. I am

[Mr. Grogan]

glad that the Government are reviewing the list of sporting events that must be made available to free-to-air broadcasters at a reasonable price. It would be nice to see added to that the Ashes series, the last day of the Ryder cup and the home nations' qualification matches for the World cup and European championships. The BBC is still the world's biggest terrestrial broadcaster in terms of sport. Ten per cent. of the output of BBC1 and BBC2 is devoted to sport. It enriches the lives of many people who could not afford to pay subscriptions for Sky TV and Setanta. Our national life would be much diminished without BBC Sport's contribution to it.

The BBC licence fee still has a lot of life in it. It is the least worst system of supporting a BBC that still reaches 93 per cent. of people in the nation every week. Eighty-four per cent. of people—a figure that is slightly up on last year—watch one or other of the BBC TV channels each year. More than 50 per cent. of our radio listening is done via the BBC. Our local radio stations enrich communities across the length and breadth of our land. Above all, the BBC produces programmes of such quality that they are the envy of the world. They inform, educate and entertain. Because of the BBC, people switch on their radios or television sets, things catch their eye or make them prick up their ears, and they become interested in things that they would never believe they could be interested in. It is still true that, in the words of Dennis Potter, one can tune in, switch on and marvel. It gives me great pleasure to oppose this Bill and to support the BBC licence fee.

11.42 am

Mr. Edward Vaizey (Wantage) (Con): It is a great pleasure to follow the hon. Member for Selby (Mr. Grogan), who has been a vocal supporter of the BBC during his 11 years in this House. It is rumoured that his time here may be coming to an end, but I am sure that he will re-emerge outside in some form or other as a continued supporter of the BBC.

I congratulate my hon. Friend the Member for Christchurch (Mr. Chope) on using his opportunity in the ballot for private Members' Bills to promote this Bill. It is important to make two points at the outset. First, as my hon. Friend said, to propose the abolition of the licence fee—or, to put it more kindly, to propose an alternative way of funding the BBC—is not to launch an attack on the BBC. One can be a friend of the BBC and still suggest that it might be alternatively funded. Secondly, no one in this House, whatever their views of the BBC or the licence fee, should be afraid to debate whether the licence fee is the best way of funding the organisation. Since I entered politics, I have found that it is always extremely dangerous to muse, debate or think outside the box. I want to put it on record that I am a firm supporter of the licence fee, as is the Conservative party. Nevertheless, no one should be afraid to rehearse the arguments about whether the licence fee is the best funding mechanism.

Having been tutored by you on many occasions, Madam Deputy Speaker, it is important to emphasise that this is essentially a debate about the mechanism for funding the BBC, although it wandered slightly, but effectively, during the remarks of my hon. Friend and those of the hon. Member for Selby, on to other aspects of public service broadcasting and the merits of the BBC.

Let me focus on some of the proposed alternative methods of funding the BBC. I say to my hon. Friend—in all humility because he is an extremely experienced parliamentarian and former Minister—that his arguments against the licence fee might have been strengthened if he had put forward a clear and cogent alternative. I echo the hon. Member for Selby in saying that although the licence fee has some imperfections, it is probably the least worst mechanism for funding the BBC.

I must confess that I was horrified to hear my hon. Friend propose what amounted to an arts council of the airwaves. Knowing as much as I do about his firm principles and views, I was appalled by the idea of setting up a terrible quango of the great and the good to distribute public money to make programmes that, if I could put it this way, people like us would like to watch. I can confidently predict that were he to get his way and have that arts council established, he would be back in this Chamber within a year or two proposing its immediate abolition having seen some of its output. To be fair to Ofcom, which has been criticised for proposing an arts council of the airwaves, that is no longer being seriously considered as an option. What is being seriously considered, however, is the idea of top-slicing, which in effect shares the BBC's licence fee with some of the other main public service broadcasters.

On the other proposed alternative arrangements for funding the BBC, first, there is the obvious method of subscription. Intellectually speaking, particularly in a digital age, there might be no problem with a subscription service. However, the trouble would be that it would immediately narrow the BBC's audience base. It would also betray a fundamental misunderstanding of the BBC's purpose in terms of its role as a public service broadcaster and its place in the ecology of public service broadcasting and broadcasting as a whole, because its audience would be segmented and severely diminished.

Similarly, some public service broadcasters are supported by advertising—Channel 4 is the most obvious example, but that also applies to ITV and Channel 5, if we want to include them in the family of public service broadcasters. Indeed, to some extent, the BBC plays fast and loose with advertising. For example, there is advertising on BBC Worldwide, and the BBC adopts forms of sponsorship, which, in my book, come close to advertising. However, in the current climate, the idea of the BBC suddenly entering the marketplace to compete for advertising is unrealistic. Again, the BBC's ecology and the public's wishes favour a BBC that is free from advertising and directly funded. That is the way forward.

Lembit Öpik: What is the hon. Gentleman's perspective on the fact that the independent sector is concerned about the prospect of the BBC's having to resort to advertising? It feels that the pot is already under great pressure, so although we may argue about the best way in which to fund the BBC, there is no appetite in any part of broadcasting to require the BBC to make its domestic output dependent on advertising revenue.

Mr. Vaizey: The hon. Gentleman's point is spot on—I should have made it myself. If the BBC competes for advertising, that would inadvertently cause severe damage

to commercial broadcasters. It is the last thing that those broadcasters want. Most do not want direct funding from Government, either—ITV and Sky adamantly oppose top-slicing and receiving a subsidy from the Government to produce what is known as public service broadcasting.

We are essentially debating whether the BBC should be funded by a licence fee, which individual households pay, or general taxation. Before concentrating on that argument, let me accept the challenge from the hon. Member for Selby to say something nice about the BBC. Given that he quoted the Leader of the Opposition saying something nice about the BBC, it would obviously be in my interest, too, to say something nice. However, I can happily cast self-interest aside and speak genuinely of my love and adoration for the BBC. I believe that it is fantastic and that most people in this country regard it as a great organisation and as family. The family analogy is important: we give the BBC the nickname "Auntie", and, by and large, we like the BBC, but we also feel free to criticise and have rows with it. Sometimes, those rows are incoherent—rows for the sake of having a row, as most of us have in our own families.

We constantly talk about public service broadcasting, but one of the frustrating aspects of those discussions is that we always end up talking about an individual programme. I can be more specific: we always seem to end up talking about "Blue Planet". At some point in the debate, somebody will mention "Blue Planet" as the justification for £3.5 billion of taxpayers' money.

Mr. Dismore: You have just done it.

Mr. Vaizey: Indeed—I win the bingo prize for mentioning "Blue Planet". However, the BBC as a public service broadcaster is much more than "Blue Planet". The BBC, like all publicly funded organisations, is always desperate to prove its economic worth, so it publishes worthy papers—probably wasting licence fee payers' money in the process—to show that it contributes more to the economy than it takes from it. The latest report—from Coopers & Lybrand, or some other such auditor that probably failed to audit a commercial bank—pointed out that, for the £3.5 billion we give the BBC, we get back approximately between £5 billion and £6 billion. I have no doubt that those figures reflect to some extent the fact that BBC puts back more than it takes from the licence fee payer.

I keep using the rather amorphous term "ecology", but I believe that the BBC is embedded in our culture. It gives the arts tremendous support, for example, through the Proms. It helps numerous other arts organisations, but one barely hears about that. A few weeks ago, because I did not think that the BBC had made enough of a point about it, I flagged up the fact that it was giving singing bursaries to young singers. People may argue that that is beyond the BBC's remit, but I want to emphasise that the BBC is involved in so much more of the public realm than simply switching on BBC 1 or BBC 2 or listening to Radio 4, Radio 5—or, indeed, Radio 1, to which I occasionally listen—suggests.

As a public sector organisation, the BBC is surprisingly innovative. The hon. Member for Selby mentioned Freeview, freesat and the iPlayer, which are important innovations. The great thing about Freeview is that the BBC got stuck in and created a platform that is open and available to all, and ensures that there is no monopoly of platforms provided by subscription service television. That was an extremely important innovation—I am not going to say that it is as important an innovation as the invention of television, but I suspect that we will look back on it as incredibly important.

The hon. Member for Selby mentioned the recent speech by Jana Bennett, the director of BBC Vision, which was a welcome statement by the BBC on the redoubling of its efforts to ensure that it has a presence in the regions. "Crimewatch" is moving to Cardiff—don't have nightmares—although I could not quite understand the row about "Question Time" moving to Glasgow, because as far as I am aware it is produced by an independent television company based in Hammersmith. I do not think that anyone is going to make David Dimbleby live in Glasgow, but anyway, that is beside the point.

I hear what my hon. Friend the Member for Christchurch said about the need for the BBC to provide value for money. Many executives in the BBC are extremely well paid. The director general of the BBC, who went to my college at Oxford—incidentally, Merton college also produced Jeremy Isaacs and the right hon. Member for Rotherham (Mr. MacShane), who is relevant to this debate because he is a Labour Member who wants to abolish the licence fee, which he sees as a regressive tax—forwent his bonus. However, it was a wake-up call to learn that the bonus that he forwent was equivalent to my annual salary, so he is pretty well paid.

The Deputy Leader of the House of Commons (Chris Bryant): He's worth it.

Mr. Vaizey: So the hon. Gentleman says, implying that I am not worth it. That just goes to show hon. Members that sending somebody a letter of congratulation on their elevation to the Front Bench will not earn them any quarter at all in the Chamber.

We should be careful about saying that the BBC should cut costs and introduce value for money, because it is a standing joke in the BBC that the part that produces the least value for money is the BBC Parliament channel. In terms of viewers per buck, as it were, the Parliament channel is the least economic channel that the BBC provides. I was told yesterday—this may be entirely wrong; if so, I will come back to the House and correct it—that BBC engineers are constantly trying desperately to reduce the picture size of the Parliament channel, because apparently it will then take up less spectrum.

When we admonish the BBC for its excessive salaries and expenditure, we should remember that the easiest way for it to save money would be to close down the Parliament channel. But then, I gather that Parliament itself is being closed and that we are moving to the Lords quite soon so that the hot water can be fixed, and this in a week when we have given the banks something like ten times the BBC's annual budget.

I also agree with my hon. Friend the Member for Christchurch that it is extremely important that the BBC should be audited by the National Audit Office. It is extraordinary that the BBC would seek to dictate terms. In the new climate of transparency that is sweeping across all public sector organisations, including Parliament, the BBC would do well to open up its books and allow

[Mr. Vaizey]

the public to see how much it costs. This is a personal statement, albeit from the Front Bench, but I would like the BBC to publish the salaries of everyone whom it employs. The BBC will not tell us, for example, how much Jonathan Ross is paid, citing commercial confidentiality.

The implication is that the BBC is in competition with the commercial broadcasters and therefore cannot possibly publish the salaries of its top talent. My answer to that argument is that if the BBC is indeed in competition with commercial broadcasters, it is already fighting with one leg up, because it is guaranteed an income of £3.5 billion a year that the commercial broadcasters are not and which would slightly level the playing field.

One aspect of the wider debate is how we secure public service broadcasting. Those issues are for another debate, but we look forward to the Minister's boss, the Secretary of State, bringing forward proposals in January about the future of public sector broadcasting. As everyone knows, the options on the table are pretty clear cut, including top-slicing, changes to the regulations that constrain Channel 4, and increasing the commercial exploitation of intellectual property and programmes provided by the public service broadcasters. To be fair to the BBC, BBC Worldwide has done an incredibly effective job in that regard, and it is bringing money back into the BBC.

When we talk about the licence fee, it is also important to acknowledge that it might be time limited. That is a dangerous thing to say; I said it at a fringe meeting recently and got myself tied up in knots. However, it is important to acknowledge that technology is changing at an enormously rapid pace. The prerequisite for paying the licence fee is that someone has a box sitting in a room, and the BBC and the collection agencies can check to see if they have such a box. In a time scale that I would hesitate to predict, however, that box might no longer sit in the corner of a room. It could be inside a jacket pocket, on a mobile phone, on a computer on a table, or on many other kinds of device, some of which we have not yet imagined. In the spirit of musing, I suggest that that might well provide a challenge to the licence fee. As far as I am aware, students are charged a licence fee on their laptops, as a way of getting round the fact that many students now watch television—or the iPlayer—on the internet on their laptops without having a television in their rooms.

These changes will provide a challenge to the licence fee, but at the moment, the Conservatives are certainly committed to the licence fee as a way of funding the BBC. Ultimately, this will come down to a choice between direct funding by the Government—the money has to come from somewhere, and, in theory, that would involve a rise in general taxation—and funding through the licence fee.

Greg Dyke has a lot of experience to bring to the table. He can hardly be blamed for saying that the licence fee does not necessarily give the BBC the independence for which it is vaunted. He was director general when the Labour party came knocking, sent in its attack dog, Alastair Campbell, and succeeded in ousting him. I would recommend that Members read Greg Dyke's excellent autobiography. While it does not give us general principles about the BBC, it does show that there are valuable lessons to be learned about how an organisation should learn to stick together, stand by its principles and stick to its guns when one of its leaders is under attack.

There is some merit in the argument that the licence fee gives the BBC independence. It is set for a number of years, and is therefore not subject to the vagaries of public expenditure that we might well see in the next few months or a year because of the credit crunch. It does not necessarily give the BBC a fixed income, because its income is based on its ability to collect the licence fee. Indeed, the BBC's income has gone up as more households have been created in this country.

To echo the comparison with the Arts Council—which I have rejected as a way of funding public service broadcasting—the licence fee establishes the important principle of the BBC operating at arm's length from the Government. There is a big difference between sitting down with the Chief Secretary or the Secretary of State to debate a grant from the Government and sitting down with them to debate the level of the licence fee, which it is down to the organisation to collect and use efficiently.

Mr. Chope: My hon. Friend will have seen from Greg Dyke's article that he is concerned that, unless something is done, 90 per cent. of all public service programming will be on the BBC. As the Conservative party promotes competition and choice, does my hon. Friend think that we should be supporting such an outcome?

Mr. Vaizey: Absolutely not. My hon. Friend has slipped under the Deputy Speaker's radar and mentioned the issue of the future of public service broadcasting, which is not the same as the future of the licence fee. I should like to put it on record, however, that we believe in plurality in public service broadcasting. We are looking as keenly as are the Government at Ofcom's proposals to support public service broadcasting in the new media age. I would also recommend a supremely good consultation document that we published on www.shadowdcms.co.uk, called "Plurality in a new media"—

Madam Deputy Speaker: Order. I have allowed the hon. Gentleman some leniency, but he must now return to his brief.

Mr. Vaizey: I put that on the record. What I was saying was important, but it is not the same as arguing whether the licence fee or direct Government funding is the best way to fund the BBC. As I was saying before the intervention of my hon. Friend the Member for Christchurch, the licence fee is a different issue, as it applies the necessary arm's length principle to the BBC and to a certain extent supports its critical ability to be sceptical of the Government and politics and to provide an objective viewpoint.

Lembit Öpik: Does the hon. Gentleman agree that there is a direct relationship between the licence fee and public service broadcasting because it gives the BBC the opportunity to consider the primary requirements for PSB? The BBC has acted to some extent as a beacon for the entire sector in respect of how the news and topical programming, for example, are covered. In that sense, perhaps ironically in view of the interventions of the

hon. Member for Christchurch (Mr. Chope), it provides the BBC with the latitude to define what public service broadcasting should actually be—not just for itself, but for the independent broadcasters, too.

Mr. Vaizey: That is right. The licence fee gives the BBC the freedom to innovate, which is an extremely important point. If the BBC were to sit down and negotiate a direct grant, strings would be attached—something for which I often criticise the Government. Those strings may not necessarily be sinister, as it were—that may not be the Government's intention—but the Arts Council analogy comes into play again. Although the Arts Council is meant to be an arm's length body, it receives a direct grant from the Government. What happens then is that the Government, perhaps perfectly laudably, say: "If you are receiving money from us, you had better ensure that you increase access and that you do this, that and the other". The Arts Council thus appears not to have the freedom to innovate and plough its own furrow.

Although my hon. Friend the Member for Christchurch may object to the phrase, the fact that the BBC can, as it were, "see the licence fee and licence payers' money as its own", gives it the freedom to innovate. As I suggested earlier, among public sector organisations, the BBC is, uniquely, a very innovative body. I thank the hon. Member for Montgomeryshire (Lembit Öpik) for helping me to make that point with greater clarity.

In conclusion, however, freedom to innovate is not confined to the BBC. I do not believe that the BBC can ever rest on its laurels—nor should it seek to. The hon. Member for Selby mentioned BBC Sport and others have mentioned BBC News. I think that the BBC has improved its broadcasts in those spheres because of the fierce competition from Sky, which, as a private company with no subsidy from the taxpayer, has been fantastically innovative in sport, as well as through its introduction of 24-hour news—now a loss-making element provided effectively as a public service—which has completely revolutionised how news is presented on television.

As I said in my opening remarks, it is entirely appropriate for my hon. Friend the Member for Christchurch to bring this Bill forward. It is entirely right, as he said in his opening remarks, for this debate to be conducted in the spirit—not too often seen—of debating a matter of principle. To countenance the abolition of the licence fee is not the same as to countenance the abolition of the BBC. Those who support the licence fee do so with an element of humility when we say that it is the least worst option. I think that our debate has teased out some of the specific reasons why the licence fee is so important, the most central of which are the maintenance of an arm's length between the Government and the BBC, the maintenance of the BBC's independence and the means of conferring on the BBC the freedom to innovate and create.

12.9 pm

Kerry McCarthy (Bristol, East) (Lab): I begin by echoing the praise bestowed on the BBC by the hon. Members for Wantage (Mr. Vaizey) and for Christchurch (Mr. Chope) and by my hon. Friend the Member for Selby (Mr. Grogan). I am glad that, on a day on which the truce seems to have broken down outside the House, a degree of cross-party consensus remains, at least on this issue.

Particularly in this day and age, when we seem to be deluged by cheap reality TV programmes—I mean cheap in terms of production costs and artistic and educational merit—there is certainly a place for publicly funded television that maintains certain standards. I am afraid that the hon. Member for Wantage has somewhat stolen my thunder, or at least accused me in advance of being rather predictable, as at this point I want to pay tribute to the BBC's natural history unit. It has been based in Bristol since its inception in 1957, although sadly not quite in my constituency. As has been said, it has produced fascinating and ground-breaking programmes such as "The Blue Planet" and "Life on Earth", and it continues to do so.

In some respects, however, I would question whether the BBC is making best use of licence payers' money. That relates to the point raised by the hon. Gentleman about the fact that the licence fee gives the BBC freedom to innovate. In one area, I am particularly concerned that it is moving into pastures new, which might not be the best approach. I understand that Ofcom and the BBC Trust are examining proposals from the BBC for a massive expansion of its website services.

I have nothing but praise for the national and international news on the BBC website, and we have only to look at it to realise that it is used not just by expats, but by many people from other countries who want an insight into what is going on in this country. However, the BBC intends to expand into much more local video news, sports and weather, and I understand that there are plans for three daily bulletins for each, which will be updated three times a day. That will be rolled out in 60 different geographical areas from 2009-10 onwards and will cost about £68 million over three years.

Putting that in context, last year, the natural history unit's annual budget of some £37 million was cut by a third, which has meant a reduction in some series that are being produced and a staff cut of a third. Is that really where the BBC should be heading? There is concern that the plans will affect other providers of local news services, which I would argue do the job an awful lot better because they are based on the ground and understand their market. For example, local newspapers are setting up local websites, which run the same stories while catering for a slightly different audience.

The concern is that the BBC—by, in effect, using licence fee payers' money to park its tanks on the lawns of local newspapers—will increase the pressure on a sector that is already hard pressed and struggling for advertising revenue in days when the property and jobs markets are perhaps experiencing a downturn. Should the BBC be doing that or sticking to what it is best at?

My other concern was mentioned by my hon. Friend the Member for Selby, and I would have leapt to my feet to intervene had I not been about to mention it in my speech. He referred to the speech made by Jana Bennett on the regionalisation of services. Generally speaking, I do not have a problem with that, and it is obviously good that the BBC is not London-centric and that it is moving some programmes outside London, but one proposal has dismayed people in Bristol. The BBC is moving "Casualty" to Cardiff.

[Kerry McCarthy]

I accept that basing 5 per cent. of BBC production in Cardiff may well be a good move, but "Casualty" has been filmed in Bristol since 1986. It is the world's second longest-running medical drama and the longest-running emergency-based hospital drama. It paved the way for programmes such as "ER" and "Chicago Hope". Last year, it won best continuing drama at the British Academy of Film and Television Arts awards and has been nominated for many other awards.

For me, "Casualty" and Bristol are inextricably linked. The programme is based in the fictional city of Holby, but everybody knows the landmarks, such as the Clifton suspension bridge, and the accident and emergency sets are based in warehouses in my constituency. A recent programme was filmed in Arnos Vale, a restored Victorian cemetery in my constituency. Relocating "Casualty" to Cardiff would be akin to relocating EastEnders to Trafalgar square instead of Albert square. It just would not be the same.

Mr. Chope: To what extent has the hon. Lady, as a Bristol MP, been consulted by the BBC on this issue? Does she share my concern that this is another example of how although the BBC receives the proceeds of what is effectively a tax from the licence fee payer, it is not accountable for the way in which it spends it?

Kerry McCarthy: The hon. Gentleman makes a valid point. I have only been approached by the *Bristol Evening Post*, which is running a campaign to keep "Casualty" in Bristol, and by the Broadcasting Entertainment Cinematograph and Theatre Union, which represents those who work on the programme. As I was about to say, "Casualty" contributes £10 million a year to the local economy. More importantly, it also provides training and work experience for people who want to work in the media industries. That has attracted students to Bristol universities to study media, broadcasting and journalism. Many people have worked on "Casualty"—not only the actors and extras who are seen on screen, but lighting engineers, set designers, camera operators, technicians and writers—and used that experience to move on and set up their own production companies, to work on other programmes or go to the natural history unit. "Casualty" has given them invaluable experience. As the hon. Member for Christchurch suggests, the BBC has not talked to local people about the impact of moving "Casualty" out of Bristol on the local economy. As we experience more difficult times, such factors are important.

I do not wish to name drop, but last night at a reception in the other place I bumped into Kwame Kwei-Armah, the well-known actor, broadcaster and playwright, who just happened to star in "Casualty" for five years. He was very disappointed by the announcement that it might be relocated, and he has pledged his support to the campaign.

In conclusion, I support a publicly funded BBC and, in the absence of compelling arguments for another way to fund it, I support the retention of the licence fee. It is valid to discuss why it should be that everyone apart from those who qualify for concessions has to pay the same amount, and the increasing demonisation of people who do not have television licences, who are hounded by the licensing authorities. I was in that position myself, when I bought a flat in London but did not occupy it for three months and certainly did not have a television there. It felt as though I was being threatened with court action every other day, and that was wrong. The BBC licence people are also based in Bristol and I took the issue up with them.

There are questions to be asked about how the system operates and whether the best use is made of licence fee money, but I remain to be convinced that the hon. Member for Christchurch has come up with the ideal solution to replace it, so for the time being I shall oppose his Bill.

12.18 pm

Richard Younger-Ross (Teignbridge) (LD): It is unusual for all three Front Benchers to sing from similar, if not entirely the same, song sheets. Earlier, we were predicting future legislation, and I suspect that I predicted fairly accurately in this case. The tone of the debate would be rather different if instead of its present title, the Bill were called the Broadcasting (How do we pay for the BBC) Bill. We would be arguing about the licence fee, how long it should last, whether it should be scaled down and alternatives to it. Instead, we are discussing a dramatic change in 2012, and not a more constructive approach to making progress.

Mr. Chope: Earlier, we compared the licence fee with the community charge. Does the hon. Gentleman accept that during the so-called poll tax riots, the people who were fed up with the poll tax did not say that they wanted to put a different system in its place? They said that they wanted to get rid of the existing system because it was unjust.

Richard Younger-Ross: The hon. Gentleman might be right about the poll tax. He made that comparison earlier, not I. I merely responded to his comments in an intervention. I shall come to public opinion later in my speech, if he will give me the time and the opportunity to do so. I want to go through some of the basic arguments and to consider some of the potential consequences of not having a licence fee. For example, what would have happened if we had not had a licence fee in the past? What would we have missed? I shall also look at the programme for the BBC. The hon. Member for Selby (Mr. Grogan) mentioned speeches by Jana Bennett, which raised some interesting points that I hope to discuss if time permits.

The licence fee is £139.50 for colour and £47 for black and white. I must ask how many black and white licences are sold, if any. I know they exist, but perhaps someone will be inspired at some point and will be able to answer that question. A colour licence fee is the equivalent to about a pint to a pint and a half of beer a week. That is not a vast sum of money for what we get. We get two national TV stations, 10 free national radio stations, 40 free local radio stations, comprehensive online services and, of course, multi-channel services for multi-channel homes.

We have free access to a range of nine BBC digital TV and radio stations. Indeed, the BBC was growing so fast at one time that I had difficulty catching up. People were talking about BBC 6, and I asked, "Where do you find that? What is it?" When I found those stations, they

turned out to be very fine. The BBC's digital channels BBC 3 and BBC 4 are groundbreaking, inventive and challenging, as well as carrying repeats and other features that we welcome the opportunity to view again. As MPs, we often have surgeries on a Friday night or duties on a Saturday, and we welcome the ability to catch programmes on a Sunday when we forgot to set our digital recorder.

No one should doubt that the BBC is good value for money. It is not just about the quantity, but about the quality. That is especially important with the move to digital. The broadcasting world is changing, however. We now have films on mobile phones, TV over the internet and so on. In principle, digital switchover means more choice. In practice, we risk the cheap and the easy—more mindless, exploitive reality TV shows. Even Members of Parliament have been on them. Do we recall? We would rather not—I see grimaces round the House. Such programmes crowd out the good programmes.

Heaven help us if we were to rely on FOX News, for instance, for our information about the world, or if we moved towards narrow casting and the narrow-mindedness encouraged by placing viewers in minority interest ghettos. There would be no more of the shared experiences across the nation that we are given by the BBC and by its breadth, with the changes from programme to programme during the day. There are people who do not just get up and change channels. Some people will go from one programme to another and enjoy the experience that they accidentally come across. Some of us found at first that we would sit on the settee with the remote control, clicking from channel to channel to see what was on, much to the annoyance of our other halves. That problem was resolved in my household when the TV channel switcher was put on my wife's side of the lounge.

There are dangers that must be resisted, because the role of the BBC is crucial. We cherish the BBC for its diversity—educational programmes, high quality drama and comedy and children's shows—free from adverts. There is a huge range of music choice on radio. The BBC website is the most trusted in the world for news and current affairs programmes that are authoritative, accurate and, above all, impartial.

Like the hon. Member for Bristol, East (Kerry McCarthy), who is no longer in the Chamber, I must of course mention nature programmes. My interest in nature was very much inspired by some of the early BBC programmes. The Attenboroughs have both contributed to our creative industries in various ways, and I was transfixed by nature programmes such as "Planet Earth", although sadly I saw little of it. We have other duties and life is full, but the episodes I saw were of exceptional quality.

We would be foolish to put all that at risk. The opinions of about 7,000 UK residents on the cost of the licence fee were set out in a survey commissioned by the Department for Culture, Media and Sport in 2006. The survey found that respondents were willing to pay a maximum of £138.24 for current BBC services, but that they would pay up to £162.66—I do not know how that was worked out to the exact penny—for the current service and the proposed new activities.

Mr. Chope: Will the hon. Gentleman give way?

Richard Younger-Ross: The hon. Gentleman gave way to me so many times that I feel obliged to do so.

Mr. Chope: I am grateful to the hon. Gentleman. Does he think that people who responded in that way would be willing to make voluntary payments of £139.50 a year to the BBC if there was no compulsory licence fee?

Richard Younger-Ross: I am sure that if the hon. Gentleman were to ask the shadow Chancellor that question in terms of whether people would voluntarily pay tax, the answer would be no. Some things have to be paid for and a mechanism has to be found to do it. If we believe that the BBC is a valued institution that should continue, the payment has to come from some source. At present, the licence fee is the fairest way.

To continue my point—if the hon. Gentleman will allow me—when people in the survey were asked what they would be willing to pay for the current services and the proposed new activities, 36.5 per cent. wanted to keep the same licence fee, 35 per cent. were willing to pay a slightly increased amount, of between £15 and £19 a month, and 11.5 per cent. were willing to pay a substantially increased licence fee. In 17 per cent. of cases, the respondents wanted the fee lowered from its then £11 a month, so only a small number—less than a fifth—wanted the licence fee lowered.

A more recent poll, carried out for *MediaGuardian* by Ipsos MORI on 18 August 2008, found that 41 per cent. of respondents agreed that the licence fee was the appropriate way of funding the BBC. I am not too sure where the battalions signing e-petitions have come from, but they are not borne out by a poll in which the majority of people were in favour of keeping the licence fee and only 37 per cent. disagreed.

There were criticisms, however. It is fair to say that there are concerns about how the BBC manages itself, about its relocations—as we heard earlier, some of its programmes will be relocating from Bristol to Cardiff—and about whether it is good value for money. The fees paid to some personalities give rise to concern from the general public. I do not say whether the BBC is right to pay those individuals such sums. Those are commercial considerations. The BBC is in a competitive market; it is competing with the ITV companies and Sky for people to front programmes. It is for the BBC to make judgments about what it is worth to secure not the mediocre, but the best people to front its services. There is no reason why the BBC should not have the best, albeit not necessarily for all its programmes. In that competition, the BBC sometimes loses—clearly, it has lost out on sport in the past, and it has taken action by Parliament to protect some sports events so that coverage is not subject to open bidding and they are not lost. I know that whether that protection should be extended is a matter of debate, but that is for another time.

Criticisms were made in the survey: one third of respondents agreed that the licence fee provides value for money, but almost half—47 per cent.—disagreed. Just under one third agreed that the licence fee assures the provision of quality programming and services not available elsewhere, but a significantly higher proportion—41 per cent.—disagreed. There are questions to answer, which we might consider if this were a different debate.

[Richard Younger-Ross]

There are alternative ways of funding the BBC. The first is subscription, but that would result in a reduction in the BBC's income, so that it would be unable to do all that it does now. That includes things that benefit those who never watch the BBC—the "university of broadcasting", the technology development and the drive to digital. The emphasis would be on programmes that persuade viewers to sign up, but people are not easily tempted by the unfamiliar—a point that we touched on earlier. The adventurous, creative initiatives would suffer the most. In addition, funding by subscription does not provide a solution for radio: we are a long way from technology to raise subscriptions for radio, which uses 18 per cent. of licence fee income.

In an aside on the quality of the BBC's output, let me say that when I worked abroad in Iraq for seven months in 1982, my sole contact with home was the BBC World Service. I realise that its funding comes from a different body, but the World Service linked into those BBC programmes with which I was familiar. Listening to the sport, including football, on Saturday night certainly helped me to keep in contact with the UK. I found the familiarity of the BBC helpful when I was living away from home and from my fiancée, now my wife, to whom I had got engaged shortly before having to work abroad.

The second alternative is to pay for the BBC via advertising and sponsorship, but other broadcasters that rely on advertising would suffer. The TV advertising pot remains static. Broadcasters are losing funding and making changes to their newscasting and regional news in an attempt to save money. Public service broadcasters that rely on advertising would demand a reduction in their public service obligation, as ITV already has. If it were reliant on advertising and sponsorship, the BBC would go only for the most popular material that attracts advertising and sponsorship. The diversity that we cherish would be lost.

Direct Government funding is another alternative that we might consider. Yes, it would be more progressive—the hon. Member for Christchurch has a good point—but the licence is already free for the over-75s. The blind receive only a 50 per cent. reduction; it could be argued that that should be increased to 100 per cent., but that, too, is an argument for a general debate on BBC funding. Furthermore, those in care homes get a concessionary rate of £7.50 a year. We could go further, because there are other groups to whom we should consider giving a free service.

Direct Government funding would reduce licence fee collection costs, although those are falling, thanks in particular to direct debit and online collection systems, but that funding method is fraught with danger. Governments of whatever hue could cut funding at a stroke if they did not like what they saw or heard. The public service broadcaster in Australia, the Australian Broadcasting Corporation, has had its income cut by 25 per cent. in the past 18 years. Significantly, there is now a campaign to reintroduce the licence fee in Australia. If the UK got rid of the licence fee, in 10 years' time, hon. Members would be saying, "We want to bring back the licence fee, because we used to cherish the BBC, but we have lost a lot of that feeling."

Most importantly, direct funding by the Government would make the BBC more vulnerable to subtle threats about its journalism. The BBC only just survived the disgraceful attacks made on it by Alastair Campbell and the Government during the Gilligan affair. We now know that Gilligan's story was broadly right, yet oddly he, the chairman of governors and the director-general all resigned. In my view, and the view of my hon. Friend the Member for Bath (Mr. Foster), that was unnecessary.

Let us imagine what it would have been like if the BBC had been funded directly by the Government. We would have the Fox News problem. Some 80 per cent. of Fox News viewers in the States believed one of the following: that weapons of mass destruction had been found; that there were proven links between al-Qaeda and Saddam Hussein; and that the US went to war with the support of the rest of the world. Only 23 per cent. of viewers of PBS in the States believed such nonsense. Whom would we believe if the BBC was directly funded by the Government? We would not know what to believe. I trust its coverage. I can see that it is biased at times—we are all slightly biased in what we say—but we can take account of that, and we can hold it to account for that. We can argue with it, and I am sure that all political parties do so, from time to time.

Lembit Öpik: I observe that even now the BBC regards its funding settlement with some concern because of the political threats that my hon. Friend described. If he is saying that that concern would be made many times worse if there was a direct grant, I very much agree with him. Is he saying that, from the point of view of civil liberties and free speech, the TV licence seems to be the most effective way to put space between the political pressures that the BBC feels and the immeasurably greater political pressures that it would feel if we changed the system?

Richard Younger-Ross: My hon. Friend makes a good point. The BBC felt threatened as a result of the way in which the licence fee was negotiated last time. I understand some of those concerns, but I am not sure how much of that was manoeuvring. There were arguments on both sides about what the fee level would be, and what would be satisfactory. However, he makes a valid point: if we moved to a direct grant, there would be a significant risk. As I started out by saying, if the tone of the debate were different, we could consider how direct payments could be made and protected. We might come up with a system that protected those payments from interference by Government Ministers, acting on whim because they thought that they had been slighted, or that the Government were being attacked viciously by the BBC all the time. That might be a different issue. I am not saying that we should ever rule those issues out, but given the context of the Bill before us, they are not matters that I could argue for at the moment.

The BBC must change in these changing times. For example, it cannot be right for governors to be both flag-wavers for, and regulators of, the BBC. Some of that has changed. The rest of the world looks at us in envy, and abolishing the licence fee would risk throwing it all away. Do we want a dumbed-down, cut-down, less adventurous BBC? No. Do we want a BBC that no longer sets the gold standard for other broadcasters, helps with technological development or is the envy of the world? No. The best way to stop such a change is to vote against the Bill of the hon. Member for Christchurch. We need to consider consequences.

Let me go back to "Doctor Who" and use a time machine to look at what we would have missed if the Bill had been passed 30, 40 or 50 years ago. Would we have had "Blue Peter"? Perhaps not. ITV is having difficulty funding children's programming, and an advert-driven BBC would have the same difficulties.

Lembit Öpik: My hon. Friend will be aware that "Blue Peter" celebrated its 50th anniversary yesterday. Does he agree that the values and approach taken by "Blue Peter" is directly in line with what public service broadcasting should be? What makes it so creative is its appeal to young people. The children's programming on the independent sector channels has largely been guided by "Blue Peter" and its ethos, including the "Blue Peter" dogs.

Richard Younger-Ross: I am grateful to my hon. Friend for that intervention. "Blue Peter" was important to me as a child and has been influential in a number of the issues that it has taken up. I remember those wonderful moments with the elephant, the gentleman sniffing, John Noakes, the dogs—what were their names?

Lembit Öpik: The "Blue Peter" dogs since the inception of the programme were called Petra, Patch, Shep, Goldie, Bonnie, Mabel and Lucy. There was also a dog called Meg, but it was not an official "Blue Peter" dog. It belonged to Matt Baker and frequently appeared on the show, so including that one, there were eight dogs.

Mr. Deputy Speaker (Sir Alan Haselhurst): Order. That is a detail which could possibly be left for Committee.

Richard Younger-Ross: I hear what Mr. Deputy Speaker says, so I shall not mention tortoises or other animals.

We would have had none of that or the BBC garden, which was important for introducing children to the idea of growing things.

Mr. Vaizey: Is the hon. Gentleman still talking about "Blue Peter"?

Richard Younger-Ross: I am, but I could speak about "Gardeners' World" later, if the hon. Gentleman wishes. I did not have it on my list, so I am grateful to him for mentioning it.

Watching "Doctor Who" was my introduction to science fiction and other subjects that helped stimulate me as a young man. I was not allowed to watch the first programmes, which my parents deemed too frightening for a sensitive soul, so I did not hide behind the settee for the early Daleks, because I was not allowed to watch them. However, I caught up with the BBC later with the original Doctor, William Hartnell. I confess that my favourite Doctor Who was probably the pipe-playing Patrick Troughton, whose son is an actor and who was wonderful. We would have missed all that.

The same could be said of the "Watch with Mother" programmes. A possible criticism of the BBC is that it should be doing more programmes like that, and similar radio programmes, which it used to do so excellently.

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Barbara Follett): May I expand on the point that the hon. Gentleman is making? Children's programmes can be an introduction to culture later in adult life. I recently had the pleasure of attending the David Tennant "Hamlet" in Stratford and I was struck by the number of children and young people in the audience, who had been drawn there because of his performance in "Doctor Who" and who thoroughly enjoyed the "Hamlet".

Richard Younger-Ross: The Minister makes a good point. Those children had seen an actor in one guise and gone on to watch him in another. I believe that David Tennant's "Hamlet" is an exceptionally good one. One day, I might get to the theatre myself—something which, sadly, rarely happens.

I used to listen to "The Archers" as a young child. In a debate yesterday, I said that as a child I wanted to be a signalman, rather than a train driver, because I wanted to direct where the trains went. From "The Archers" I gained an interest in agriculture, and from nature programmes, an interest in wildlife. In my teens, I went from wanting to be a farmer to wanting to be a zoologist, and that all came from the programmes—primarily BBC programmes—that I had listened to and watched. However, to refer back to the point made by my hon. Friend the Member for Montgomeryshire (Lembit Öpik), I should sadly confess that I was a "Magpie" fan, so I was a traitor to the cause, but competition from the other side can be good for the BBC.

There are other popular programmes that are valuable to people, and we could have more of them. "EastEnders" might well survive if there was a downsizing at the BBC. People talk about exporting things from one city to another, but the BBC tried to export that programme to Spain and fell dismally on its face. With direct funding, some programmes would face a lot of pressure. I enjoy watching "Top Gear", a programme whose presenters' silly and foolish antics a number of hon. Members criticise. I would not condone some of the things that those presenters have done, but overall the programme is enjoyable and brings valuable satisfaction to many people. One can go through the list: "Last of the Summer Wine", "All Creatures Great and Small" and "Some Mothers Do 'Ave 'Em".

Sadly, Mark Tavener, a good friend of mine, died tragically early a year ago. He made programmes directly critical of the BBC and wrote "In the Red" and "Absolute Power", which many of us will have enjoyed. Some of his early stuff was critical of the BBC. He had worked for the corporation at one point and was adept at poking fun at his previous employer and getting it to pay him to broadcast it. A programme that we all know and love—and a favourite of a former Prime Minister's—is "Yes Minister"; that valuable series probably would have survived any cuts.

The director of BBC Vision, Jana Bennett, has been mentioned. On 15 October, she gave a speech to the Royal Television Society at the Commonwealth club, just down the road from here. I want to pull out a couple of things that she said. I shall not try to read the whole speech into the record, Mr. Deputy Speaker, because I am sure that you would do more than raise your eyebrows at that. I shall use just two or three small quotes.

Part of the BBC's drive at the moment is to decentralise away from London and move out. I visited the proposed site at Salford with my hon. Friend the Member for Bath and others to see how that work in progress is

[Richard Younger-Ross]

doing. If we were to change the funding system as the Bill proposes, would that diversification and programme of change be able to go ahead? Would Salford go ahead if there were uncertainty about where the funding stream would come from? There would be a real danger to that programme of change. Ms Bennett said that the BBC Trust

"approved the Executive's recommendation for a new target for Out of London of 50 per cent. by 2016. We pledged to achieve growth in the Nations from the 2007 figure of 6 per cent. of network spend to 17 per cent. by 2016, with an interim target of 12 per cent. by 2012, and in English Regions the growth will be from 26 per cent. now to 33 per cent. in 2016. We have made it clear that the 17 per cent. target for the Nations is a floor not a ceiling."

As one whose constituency is in the south-west, I welcome more broadcasting and programme making in our neck of the woods. I am sure that hon. Members with constituencies in Cardiff, Edinburgh and other parts of the United Kingdom feel the same about their areas.

Ms Bennett talked about opening up creative opportunities and said:

"It is important that we understand that we are not starting out from Year Zero, however. We have been on this road for a while."

That is true. She continued:

"The commitment is there in steel glass and concrete in the shape of BBC Scotland's fantastic new digital broadcast centre...in Glasgow and the major new centre under construction at MediaCityUK in Salford"—

the site of which I visited. She added:

"Based on the Ofcom definitions, the proportion of spend outside London has increased by 4.5 percentage points over the two years to 2007, which equates to a 15 per cent. growth in spend. Last year we spent £300m outside London."

Let me make a few final points.

Mr. Deputy Speaker: Order. I hope that they will be apposite. The hon. Gentleman has been getting vaguer and vaguer in relating his remarks to the prime purpose of the Bill. I urge that in his closing remarks he is very mindful of the issue that is strictly before the House.

Richard Younger-Ross: I always try to be mindful of that, Mr. Deputy Speaker, and I thank you for reminding me to keep to the proper course.

The BBC reaches 93 per cent. of British households every month through its television, radio and online services, at a cost of £139—38p a day, or a couple of pints of beer a week—to each paying household. That is less than half the cost of many daily newspapers, so it is exceedingly good value in terms of the news coverage that it provides.

In common with all areas of public funding, the licence fee has rightly been exposed to much scrutiny and discussion, and I am sure that the BBC welcomes today's debate. Successive Government reviews of the BBC charter have concluded that the licence fee is the most appropriate means of funding the BBC, which is so highly valued by the public, and I am sure that the Minister will continue in that vein. She is nodding her head, so I feel that I am on fairly safe ground. The most recent research by Ofcom shows that the public continue to value the BBC at the current licence fee level or above, and that the majority do not believe that the fee should be shared with other broadcasters or organisations. That is an important point, on which I shall finish.

12.52 pm

Mr. Andrew Dismore (Hendon) (Lab): The Bill promoted by the hon. Member for Christchurch (Mr. Chope) is half-baked. We often discuss weird and wonderful Bills on Fridays, some of which are badly drafted, but I do not think that we have had a Bill as badly drafted as this one this year. This debate has been more like an Adjournment debate on the licence fee than a Second Reading debate on a public Bill introduced as a private Member's Bill under the presentation of Bills procedure.

The hon. Gentleman jeopardises the BBC's worldwide reputation with this back-of-a-fag-packet Bill. While the licence fee may not be the best system, the Bill makes no provision for any alternative. It is nihilistic and would sweep everything away with only the vaguest idea of what to replace it with. It is simply not thought through. He made comparisons with the poll tax, but that is a false comparison. The poll tax changed a system—the old rating system—that had been there for many years. It was a tax per person in a household, not, as in the case of the licence fee, a single charge per household. The licence fee has exemptions, which the poll tax did not.

The hon. Gentleman argued about cost, but we need to bear in mind the cost of the licence fee as against that of buying a new TV. Some of the expensive large flat-screen plasma TVs are extremely expensive, and the cost of the licence fee will be a tiny part of the overall total.

The hon. Gentleman referred to waste at the BBC and the number of managers and their salaries. That argument is a red herring, because any waste would still have to be dealt with however the BBC were financed, whether through the licence fee, direct subsidy from the Government, sponsorship or advertising.

The hon. Gentleman had no answer to my question about how the Bill would deal with the funding of radio, one of the BBC's great flagships. Ultimately, he had no alternative to put forward. He vaguely talked about sponsorship, and we have heard about the difficulties involved in that. Will we see "Strictly Come Dancing" sponsored by Moss Bros or Harvey Nichols? It is simply not a viable option. He talked about adverts. We know that Channel 4, which is perhaps the commercial equivalent of the BBC and a public service broadcaster, has had great difficulty filling a gap in its revenue because of the fall in advertising income. Such a move would have an impact on commercial television generally, spread the cake more thinly and not provide an answer.

We are left then with direct funding by the taxpayer. We end up with the risk of creating a state TV channel that would grace a banana republic. There is no way that we could have a system of state funding that could provide the necessary guarantees to ensure that we did not have political interference and that the impartiality for which the BBC is famous was maintained. We could have a situation where the "Today" programme one day beats up the Chancellor through a challenging interview by John Humphrys, and the next day the Chancellor is responsible for setting how much money the BBC should be allocated. That cannot be a fair way to proceed. Even

if it were supposedly impartial, no one would believe it or accept that. Not only should we have an impartial broadcaster, but it must be seen to be impartial.

The hon. Gentleman needs to come back, if he wants to go down this route, with a properly worked up Bill and with worked up proposals to put before the House. He cannot ask the House to abolish what is there without putting something else in its place. When I made that point in an intervention earlier, I was told that I was wrong to say that the BBC would cease straight away because it would have until December 2012. He would at least give the BBC a chance to broadcast the Olympics in London, which I hope it will. That is not an answer. If we are going to debate this matter, we have to have a properly worked up alternative before the House.

The Bill should not proceed today. It will not proceed today. Even if it did receive its Second Reading, it cannot become law, as the hon. Gentleman knows, but as someone who is a regular attender on Fridays, he should know better than to put before the House such a badly drafted, half-baked piece of legislation.

12.56 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Barbara Follett): This has been a long and, sometimes, very interesting debate. The Bill proposes that the television licence fee be abolished, although it does not offer, as other hon. Members have mentioned, an alternative.

Let me outline the Government's position on the proposal of the hon. Member for Christchurch (Mr. Chope). The Government position on the licence fee is well established. The future of that fee and the funding of the BBC were addressed fully in the recent BBC charter review, which was completed in 2006. The review concluded that, compared to the alternatives,

"the licence fee continues to be the best funding mechanism for the foreseeable future"—

in other words, it is the least worst option. It is a very difficult subject and I fully understand why that phrase was used. Under the terms of the BBC's royal charter, therefore, the BBC will continue to be funded by the licence fee for the duration of the charter, which is in force until the end of 2016.

I will explain shortly how the charter review reached that conclusion. As a first step, however, it may be helpful to set out why large sums of public money are put into broadcasting and not into other creative industries such as the music industry or publishing. There are two main reasons for that. First, broadcasting can contribute to society in ways that other media do not. The hon. Member for Teignbridge (Richard Younger-Ross) and my hon. Friend the Member for Selby (Mr. Grogan) illustrated that well. Secondly, as citizens, we would not get everything that we have come to expect from broadcasting if we relied on commercial providers alone.

The case for public funding of the BBC and for public service broadcasting is in general based on the benefits that it can bring to society, which have had a very good airing in the Chamber. That includes "Yesterday in Parliament", which several hon. Members, including the hon. Member for Wantage (Mr. Vaizey), mentioned. That programme has a niche audience, but one that appreciates the time given to the subject.

The BBC has been set objectives that reflect the benefits. It is defined by its goals as a public service, not only its programming output. The 2005 charter review Green Paper, entitled "A strong BBC, independent of government", states:

"Television and radio audiences are huge. Almost every programme on the major terrestrial channels will reach millions of people simultaneously That places such broadcasters in a uniquely powerful position, and since the BBC was first established, in the 1920s, it has been commonly accepted that such power should be harnessed for society's good. Audience research shows that the public agree with this principle. They want programmes to inform and educate as well as entertain."

Like the hon. Member for Teignbridge, I find that "The Archers" fulfils those three criteria wonderfully: it informs, educates and entertains. I have listened to it for more years than I care to remember.

We recognise the positive contribution that broadcasting can make to the effective functioning of democracy. While people continue to watch television and listen to radio in such large numbers, we are determined that the public should get the service that they need and deserve, and that the BBC should retain the potential to deliver those benefits.

The hon. Member for Wantage referred to the ability to innovate that the licence fee grants. That is an important part of its benefit to the public. Audiences would not reap the full benefit of that sort of innovation or of the information, education and entertainment that the BBC currently supplies without large-scale public funding.

The Green Paper continues:

"As the scale and sophistication of pay-TV options increase, television viewers may benefit from an increased choice and diversity of different types of service. Ofcom's review of public service broadcasting has concluded that fully commercial providers will never provide us with high quality public service on anything like the current scale."

Anyone who has spent time in another country such as the United States, where there are a couple of good public service channels, will realise that the permeation—the mainstreaming—of the public service ethos that pertains in this country does not exist there. I would personally be sad to lose it.

We value television's ability to interest us in new ideas and the way in which it can reflect other communities' lives. We need to spend public money on that and we need the BBC for that.

The Green Paper goes on:

"The case for public service radio is, if anything, stronger than that for TV. Even if audiences wanted to pay for the sort of distinctive content that the BBC provides, there is as yet no price mechanism that could allow them to do so. Radio is entirely free to listen. Commercial stations do fulfil a public service role in some ways—particularly through the provision of news and local information. However, the only available commercial models rely on advertising and sponsorship and commercial stations therefore tend to cluster towards the middle ground of taste, in order to reach the widest possible audience."

Richard Younger-Ross: The Under-Secretary makes a valid point. Does she accept that one of the problems with commercial stations is the amount of time given to news? There is always a conflict in those stations between the journalists, who want longer news broadcasts, and the programmers, who want more adverts and music, and less information and news?

Barbara Follett: That is a problem. The 30-second soundbite that politicians are traditionally allowed on the perhaps less pressured stations tends to be reduced to 20 or 15 seconds on commercial radio stations in my area, which is the eastern region and Hertfordshire. One tends to get a great deal of music, quite a lot of advertising and not much information, but people like to have that information.

The Green Paper continued:

"Whereas average audiences for the BBC's main television channels are falling as digital competition increases, in radio, digital development has yet to have a significant effect on audiences, which remain relatively stable for the larger, well-established stations."

Hon. Members might be interested to learn that the annual percentage share of BBC 1 fell from 30.8 per cent. in 1997 to 22 per cent. in 2007 and that the annual percentage share of BBC 2 fell from 11.6 per cent. in 1997 to 8.5 per cent. in 2005.

The Green Paper continued:

"In the last decade, the BBC has moved beyond broadcasting into online and interactive services. Such services do not generally have the same sort of mass impact as television or radio programmes—the internet is a more personal, one-to-one medium. Nevertheless the internet is an increasingly important source of information for millions, and the BBC has established itself as a central, trusted presence in the online world. BBC Online is the most popular site in the UK. In this context, the independent review of BBC Online...identified some clear purposes for BBC Online that place it alongside the BBC's television and radio services—sustaining social values and providing high quality, innovative and accessible content for UK users."

I know that the BBC ticker runs constantly across the top of many hon. Members' television screens in the House and on those of their staff. Indeed, it is often how we are alerted to breaking news.

The Green Paper continued:

"In addition, that review noted that BBC Online plays a valuable role in the development of the web itself: using the BBC's position as a trusted guide to bring new users to the internet; encouraging users to try new interactive technology; and setting a benchmark of innovation and creativity. The BBC's internet presence also offers valuable support to its traditional TV and radio programmes".

For instance, the BBC broke new ground in its coverage of the Olympics in 2004, by backing it up on the internet and the radio. Indeed, that has now become usual for television and radio programmes. For instance, we can now go online and watch the "Today" programme in action in the studio, which is an innovation.

I hope that hon. Members were as impressed as I was with the BBC's extensive coverage of this year's Olympics games and of Team GB's triumphant march through London yesterday. The Beijing games were the first time that viewers could watch the Olympics in high definition, on the BBC HD channel. I understand that all in all there were about 300 hours of coverage.

In looking at options for funding, the Green Paper came down unequivocally for public funding of broadcasting. The charter review did, however, consider options other than the licence fee for funding the BBC. They included direct funding from the Government, commercial funding for a free-to-air service through advertising, sponsorship and commercial funding for a pay-TV service through subscription.

Many hon. Members have given the issue some thought, just as the charter did, too. However, let me quote what the Green Paper said about direct Government funding:

"Government funding could be considered fairer than the licence fee in that it would be progressive",

which would address the point that my right hon. Friend the Member for Rotherham (Mr. MacShane) has made about the licence fee tending to be regressive. The Green Paper continued:

"each individual would in effect only contribute according to his or her income. This would make the BBC an area of Government spending like any other public service. The objections to this arrangement are made on the grounds that the BBC is a public service like no other, and it is feared that direct Government funding might threaten"

that status.

Mr. Chope: Why does the Minister think that that argument does not apply to the £250 million of funding that goes each year to the BBC World Service?

Barbara Follett: I am glad that the hon. Gentleman has mentioned the BBC World Service. As someone who has been a consumer of it quite often, I find it very good, but not as in depth as some of the services that we get here. We can see some of the commercial considerations at play there, particularly in countries with quite a high level of advertising. For example, outside Britain, we can see BBC World with advertising.

Mr. Chope: I think that the hon. Lady misunderstood me. I was not talking about BBC Worldwide; I was talking about the BBC World Service on the radio, which is funded directly by taxpayers' money.

Barbara Follett: Yes; in fact, that funding comes through the Foreign Office. I am sorry that I got the two confused. I think that, because it is a smaller, niche programme with a particular aim, it is possible to fund it in that way, but the best model that we have at the moment for a public service broadcaster is the one that we are currently using.

Richard Younger-Ross: I listened to the BBC World Service a great deal when I worked in Iraq; it was very important to me. I was in Iraq in 1982, during the Falklands war, and I remember the then Conservative Government putting pressure on the BBC World Service because of what they perceived as its biased reporting of that conflict, although from my position, sitting in Baghdad, I thought that its reporting was very fair. There have been pressures ever since then, in Government circles, in regard to that budget. The hon. Member for Christchurch does not make a good point, because the budget has been at risk in the past.

Barbara Follett: The Green Paper felt that the BBC's independence would be threatened

"if the Government held the purse strings".

That is precisely the point that the hon. Member for Teignbridge has just made. It also felt that the BBC's "stability and security" would be threatened, were it

"to be subject to reviews of its funding through the biennial Government Spending Review process."

The present review process allows it to plan forward in a way that other beneficiaries of public funding cannot.

The Green Paper went on:

"These objections appear to be supported by public opinion. The public told us they wanted less scope for Government interference in the running of the BBC and nearly two-thirds of them supported the licence fee in its current form as the best method of funding. Ofcom's audience research found there was significant opposition to Government funding—partly because people wanted to keep the Government out of television and partly because they saw a distinct difference between the 'luxury' of public service television and the 'right' to other forms of universal public service such as the NHS."

On the case for funding the BBC through advertising and sponsorship, the Green Paper stated:

"The case for allowing advertising on the BBC is a difficult one to make. There was quite vehement opposition expressed to the idea...in the course of our public consultation and research. 60 per cent. say it interferes with their enjoyment of programmes (31 per cent. disagree). The lack of advertising is therefore felt to be a key distinguishing characteristic of the BBC—it was the third most frequent value spontaneously attributed to the BBC by contributors to our quantitative research.

The BBC would certainly attract advertisers if it were allowed to, particularly to its mainstream services. However, modelling of the advertising market suggests that the effect of such a move would be to push down prices, since the total amount of money spent on advertising would not rise significantly but many more ad 'spots' would become available."

In other words, there would be more space available for advertising.

"That would almost certainly reduce the income of both the BBC and existing ad-funded broadcasters (including other public service broadcasters such as ITV and Channel 4)".

Mr. Chope: The Minister will know that the amount of advertising revenue received by Google during the first half of this year was no less than £50 million. Does she not think that if the BBC had advertising on some of its internet programmes, it could get back some of that money going to Google?

Barbara Follett: It might well be able to, but if people value what the BBC provides as a service without the intrusion of advertising, I think that we should take that into account. I certainly value the fact that when I go on to BBC Online, I am not pressed to buy something that I do not need, which, sadly, is too often a characteristic of today's world.

The Green Paper continues:

"Advertising would also create conflicting incentives for the BBC—the requirement to fulfil public purposes would have to be weighed against the need to generate revenue."

We need to think of the effect of putting specific adverts on BBC Online or in other programmes; it would remove some of the BBC's freedom. It continues:

"The character of programming might drift towards the middle ground of taste as a result. Ofcom has pointed out that such a conflict of incentives already exists for ITV1, Channel 4 and Five, and that it will be increasingly difficult to regulate in future as commercial competition intensifies. 52 per cent. of those we surveyed said they thought the BBC would lose its independence if it relied on advertising or sponsorship.

The long-term trends in the TV advertising market are anyway uncertain. New digital technology—particularly Personal Video Recorders—increasingly allows audiences to skip through advertising breaks. It may be unwise to increase the dependency of public service broadcasting on advertising at a time of such uncertainty.

There are probably fewer concerns about allowing the BBC to take sponsorship for some programmes. There would still be questions to answer, however, about a potential conflict of incentives and the commercial impact of such a move. Viewers and listeners may feel it detracted from their experience of the BBC if commercial messages were attached to their favourite programmes".

Just think what "The Archers" would be like if we had to listen to advertisements for animal feed throughout the programme! It continues:

"although our research suggests that people would prefer it to advertising... sponsorship alone would never deliver sufficient income to sustain the BBC without some additional source of funding."

Mr. Chope: Will the Minister comment on the relative popularity of Radio 3 and Classic FM, the latter of which has advertising whereas the former does not?

Barbara Follett: The latter is extremely good and I enjoy listening to it, as I enjoy Radio 3. However, if I want to listen seriously and at length, I tend to turn to Radio 3; if I want news or weather information, I tend to turn to Classic FM. We have that choice, and I would be very sad if I lost the Radio 3 side of it and was left only with the Classic FM side. That is the point: we need to cater to both markets.

Funding the BBC through subscription was another option considered in the charter review. On that, the Green Paper said:

"The BBC's own 'willingness to pay' research suggests that some people are willing to pay significant amounts for access to BBC services—42 per cent. say £20 per month and 19 per cent. say £30 per month. If services were put together in differently priced packages, with premium programmes available at different prices depending, for example, on their newness or exclusivity, audiences would have more freedom of choice and some argue that the BBC might retain a sustainable level of funding. This sort of model would raise significant issues of principle. The chief argument against subscription as a funding method is that it would undermine the principle of universal access—BBC content would no longer be free at the point of use. It can be argued in response that the existing licence fee is in anyway a form of 'compulsory subscription'. Services are only 'free' once a bulk licence fee has been paid.

But if people choose not to subscribe then prices might have to rise for those who carried on paying, and some low-income viewers and listeners who wanted to subscribe might be priced out of the market for BBC content. If that content were not universally available, its potential benefit to society would be reduced.

In the short term, there are also significant practical problems. In mainstream radio, no subscription facility exists, nor does one look likely to be available for some time.

While a television subscription service could function in satellite and cable homes, for most terrestrial viewers (including most digital terrestrial or Freeview homes) there is presently no way of controlling access to individual channels. New subscription technology (code-protected cards for 'conditional access') of the sort used in satellite and cable homes would need to be included in most, if not all, digital terrestrial equipment before any subscription service could function for the BBC."

The conclusion from the Green Paper was that the licence fee should remain. We shall see why that was described as the least worst option:

"When compared to the alternatives, we feel the licence fee continues to be the best funding mechanism available for the foreseeable future. That is a conclusion endorsed by Ofcom and the Culture, Media and Sport Select Committee, as well as by licence fee payers. While some people show interest in the alternatives, in all strands of our research work there was more support for the licence fee than for any other mechanism. 63 per cent. of those

[Barbara Follett]

who mentioned funding in responding to our consultation accepted the principle of the licence fee. Many respondents argued that the licence fee provided unparalleled value for money, and one of the most common arguments made in its support was that it binds all households together as equal stakeholders in the BBC.

Audiences want the BBC to remain a universal service. They also see that the value of the licence fee is that it should keep the BBC at arm's length from Government but should bring it closer to the public who are footing the bill."

For those reasons, it was decided that the television licence fee should remain as the main method of funding the BBC for the period of the BBC's current charter.

In supporting the case for the television licence to continue, it is worth—particularly in the context of the Bill introduced by the hon. Member for Christchurch—revisiting some of the research on which the conclusions of the charter review were based. The Government relied on evidence from various sources, including independent research commissioned by my Department. We commissioned Cragg Ross Dawson to undertake qualitative research, which it completed in April 2004. Its report noted:

"The main perceived advantage of the licence fee system was that it allowed the BBC to operate in the absence of commercial pressures. Only those with the most negative opinions of the licence fee did not appreciate this benefit at some level.

Most recognised it at a superficial level as the lack of advertising. They saw this as a 'cosmetic' advantage that the BBC had over commercial broadcasters, without considering more fundamental effects it might have on programming. Most did not like having their programmes interrupted by advertising (or indeed their films interrupted by the news)."

The report continued:

"In this context, many complained about the amount of advertising on other UK channels and stations, and some mentioned US television, where there was said to be"—

my own experience suggests that this is nearly true—

"almost as much advertising as programming.

When asked which aspect (if any) of the BBC made it a better broadcaster than its competitors, respondents often answered 'the lack of advertising'. This fact alone seemed to be enough to justify the licence fee to many.

Only a minority considered the effects of freedom from commercial pressures more fully than this. They tended to be most appreciative of the BBC's output, and the most in favour of the licence fee as a method of funding.

There was a belief that the absence of commercial pressures helped the BBC to stay 'independent', although understanding of this varied, with some feeling that the influence of government outweighed the potential influence of business."

The report went on to say:

"A number also felt that it helped to keep the quality of programmes high and the range of programming wide. Again, there was uncertainty about why this might be the case—some were making a comparison with what they saw as the inferior quality of commercial broadcasters.

Other advantages of the licence fee system were mentioned by those who thought carefully about the issue. Public-service broadcasting commitments (such as niche and minority interest programming)"—

"Yesterday in Parliament", perhaps—

"were imagined to be easier to meet under a system which provided an overall income rather than funding linked to the success of individual programmes."

On the income aspect, the report said:

"Some also felt that a degree of external control over income was good for the quality of the BBC's output. They believed that the corporation received its income on condition that all profits were ploughed into programming, unlike commercial broadcasters who were expected to turn in a profit for their shareholders."

Another important piece of evidence commissioned by DCMS was a report on deliberative research undertaken by the Corr Willbourn research and development agency and published in 2004. That report found that

"ultimately, the vast majority—regardless of their degree of consumption—could see no better way to fund the BBC. The majority of participants recognised that if the BBC were to be funded by other means, given the long history of its non-commercial status, it would almost certainly lose its essential character. Overall, supporters of an advertising-free BBC outnumbered those who resent paying the licence fee.

To sum up, by the end of the deliberation the great majority felt that the licence fee, although far from perfect, was to date the best, or more accurately the 'least worst', way to fund the BBC."

Further research, which was compiled from about 5,000 pieces of correspondence from the general public, mostly responses to an eight-question consultation issued by the DCMS, found that the majority felt that the BBC was the

"greatest bargain in the world".

The report stated:

"Generally, respondents compared the cost of the BBC services very favourably with the comparable costs of a subscription to Sky; very rarely, respondents made the contrary assertion that the Sky packages represented better value. One respondent made the observation that 'when the cost per head in the average UK household is approximately 8p a day, for 10 television channels, 50 radio stations and a top-notch website, you have to wonder where the argument against the licence fee can be made."

Mr. Chope: Will the Minister give way?

Barbara Follett: Yes, happily. [*Laughter.*]

Mr. Chope: I am reluctant to intervene in the Minister's long and dogged analysis, but has she considered the fact that the BBC's audience share is 30 per cent., and that the figure is falling, not increasing? Her argument would suggest that the figure should be going in the opposite direction. Many of her arguments date from several years ago and the caravan has moved on.

Barbara Follett: My arguments date back because they were part of the research that was done for the general charter review. One reason that there has been a fall-off in audience for a great number of things is the huge variety of outlets that are available. A particular example that is cited in relation to younger people, particularly younger men, is the availability of computer games and other calls on people's time. What I am trying to do—I agree that it is dogged—is to prove to the hon. Gentleman that we looked at the funding of the BBC in every way possible. We have concluded that the current system is the best, and public research backs that up.

Richard Younger-Ross: The Minister makes a point, but the reality is that the way information is conveyed is changing rapidly. We have the internet, Sky and all the other means by which people can view, and all TV companies under pressure at the moment, and ITV in particular, have fewer viewers. Another consideration is

the fact that the BBC has followed the example of Sky and others and now broadcasts for 24 hours, which places greater pressures on its budget.

Barbara Follett: The hon. Gentleman is completely right. Television has changed and is changing almost as we are standing here. We must take the final point about why people like the licence fee: it is seen as a way of guaranteeing high quality public service broadcasting. There are good and bad public service broadcasters, and I think that the BBC is second to none. We get an excellent service from it, which is partly based on the fact that the corporation's annual income is unaffected by commercial factors and economic fluctuations.

Let us imagine what would happen if people had to rely on subscriptions from some of the firms that are facing an economic downturn. We would definitely suffer.

Richard Younger-Ross: Is not one of the BBC's advantages the fact that it knows where its funding comes from and knows that that funding is there for a certain period? That allows it to plan in a way that others cannot, and that is an advantage in enabling it to produce high quality public service broadcasting.

Barbara Follett: It also allows it to broadcast programmes such as "Yesterday in Parliament", which can be seen as loss-leaders, to appeal to a niche market. If that ability is removed, there is a danger that the situation could end up like that with the buses, where only the popular routes are served. That can be very dangerous.

Mr. Vaizey: I forgot earlier to correct something that the Minister said. I was not talking about "Yesterday in Parliament". I was talking about the Parliament channel, the broadcasting channel on which we appear live at the moment. I am an enormous fan of "Yesterday in Parliament", particularly if this soundbite is used on it later.

Barbara Follett: I do so hope that it will be, for the hon. Gentleman's sake.

Richard Younger-Ross: Was that the commercial break?

Barbara Follett: It was.

One respondent noted

"that the future is bleak if the fee is abolished".

A considerable number of other respondents expressed similar sentiments. The licence fee is viewed as a necessary evil, justified by the benefits that it funds, and considered by the majority to be the only viable means of ensuring that the BBC continues to have such a high standard.

People who favoured the licence fee had a strong affection for the BBC. The hon. Member for Wantage touched on this issue. The BBC is family. I am probably the only one in this room who can remember almost when it first started broadcasting. I am that old. Muffin the Mule played a formative part in my life.

Mr. Vaizey: The Minister should be aware that the BBC started broadcasting in 1936. I know that she is older than she looks—she looks a lot younger than she is—but she cannot be that old.

Barbara Follett: I am sorry. In my enthusiasm I forgot to mention that it was BBC television that started in 1955—[Hon. Members: "No, it didn't".] I have obviously got my dates muddled, so I shall return to what I remember very well, which is "If it ain't broke, don't fix it"—the common mantra of a significant number of respondents. Their strong support for the licence fee was secured by the belief that the current system was tried and tested. The House can imagine the response if in these economically turbulent times we suddenly announced that we would change the way in which we set the licence fee. People would say, "Why don't you just leave it alone? It's working well enough." One respondent said:

"I have yet to hear a convincing argument for an alternative to the licence fee, and cannot conceive of one emerging before or after 2016."

However, if the hon. Member for Christchurch can think of another method, I am sure he will find Ministers who will listen. There has been examination and elimination of alternative funding methods, but most people were concerned that they would result in the dumbing down of what the BBC offered.

Senior researchers at the Work Foundation studied people's willingness to pay and found clear recognition of the public value of the BBC. Most agreed that

"the BBC makes a moderate contribution to British life",

and enjoys strong support among British people by providing impartial news and being a global UK brand.

It was valuable to hear the BBC's support for retention of the licence fee. As a contribution to the charter review debate in 2004, the BBC published "Building public value", which set out its views on its future. The document stated:

"The licence fee has many advantages as a way of paying for the BBC. That is because, in broadcasting, there is a direct connection between the source of funding and the nature of the broadcaster."

That is an important point. As long as the British public want the BBC to be an independent, universal broadcaster, committed to serving everyone on equal terms and to delivering quality and originality, the licence fee will remain a powerful and effective means of paying for its services. It is the BBC's licence fee funding that enables it to focus solely on serving the British public. It gives the BBC the time, breathing space, freedom from commercial pressure and stability to take risks and to aim to serve the widest possible range of audience needs. The first obligation of commercial broadcasters is to their shareholders.

As competition intensifies over the next decade, the divide between culture and commerce in broadcasting will inevitably widen. Cultural, political and economic considerations all support the conclusion that licence fee funding is the best way of paying for the BBC.

First, I shall look at the cultural considerations.

Mr. Chope: I hope I can be helpful. As the Minister has been speaking for 40 minutes and is obviously frightened that I might win the vote if the matter came to a Division, it might help her for me to indicate that when I have the chance to reply I shall seek leave to withdraw my Bill. That may enable her to make her remarks briefer.

Barbara Follett: I thank the hon. Gentleman. Fear does not come into it, but his remarks are indeed helpful.

I shall finish my speech by considering the BBC's views about why the licence fee is the best way of funding the service. The UK's culture, society and democracy benefit greatly from the universal availability of high quality broadcast services that create public value. Licence fee funding confers on the BBC an obligation—a responsibility to treat everyone in the country fairly and equally, ensuring that they receive the high quality programmes they want, even if the audiences are not always large. That direct connection between the BBC and the British public has conditioned the way the BBC behaves and the programmes it makes. Because rich and poor, old and young pay the same, the BBC treats all the same. In the words of a Member of the other place, Lord Puttnam:

"The licence fee remains the most effective and equitable form of funding that has ever been created for a public body."—[*Official Report, House of Lords*, 21 April 2004; Vol. 660, c. 325.]

The second consideration is politics. A conundrum in public service broadcasting is how to ensure that a publicly funded broadcaster can remain independent from political influence, given the old saying, "he who pays the piper calls the tune". Licence fee funding solves that conundrum by ensuring that it is the British people who pay for the BBC, and not the Government, who control its output. Although the Government set the licence fee at regular intervals, the BBC's finances do not form part of their annual spending reviews or budget setting. The licence fee is therefore an important pillar of the BBC's independence.

The final consideration is economics. Broadcasting has unusual economic characteristics. Like street lighting and public parks, it is a public good: one person consuming it does not prevent others from doing so. Without intervention, public goods tend to be priced too high and to be under-supplied; as a result, some people who could have consumed the goods at no additional cost go without. Those welfare losses represent a market failure, in the sense of an inefficient allocation of society's overall resources. The effect is compounded by the tendency of private providers of public goods to become monopolists. Licence fee funding for the BBC recognises the public good characteristics of broadcasting and ensures a low price and universal availability.

There are other advantages. Because it is independent of the economic cycle—that is extremely important at the present time—the licence fee enables the BBC to behave counter-cyclically, ensuring that investment in the UK's creative economy, training and technology is maintained, even in times of downturn. It also supports the BBC in taking longer-term risks.

In May 2005, the BBC published its response to our Green Paper. Its findings include the following:

"In broadcasting, there is a most effective and equitable form of funding. The licence fee is a distinctive funding mechanism that underpins the unique identity and mission of the BBC.

Licence fee funding enables the BBC to focus solely on serving the public. It is a universal way of paying for what is essentially universal provision, while at the same time safeguarding the BBC's independence."

The document continues:

"The public understands that the BBC's distinctive method of funding leads to a distinctive service. Research commissioned by the BBC showed that over 80 per cent. of people are willing to pay the current level of the licence fee to continue receiving BBC services and on average, people value the BBC at twice that amount.

The fundamental strengths of the licence fee will persist in a fully digital world. While the spread of new technology may make it possible in future to change how the BBC is funded, this does not mean that it would be in the public interest"—

despite what the hon. Member for Christchurch says—

"to do so. A BBC funded by subscription or advertising would be an entirely different BBC. The interests of audiences would need to be balanced against the interests of advertisers, or against the need to drive subscription revenues."

The BBC is an important public service—one of our most important. Its programmes are designed to deliver real social, cultural and educational value. Even after digital switchover, the market alone will continue to under-supply programmes with merit, good qualities and positive externalities. Advertising funding would creative conflicting incentives for the BBC. It would have to balance the requirement to deliver on its public purposes with the need to generate revenue in the marketplace. Over time, it would broadcast a less rich range and balance of programmes than it does today.

Mr. Chope: On a point of order, Mr. Deputy Speaker. I understand that the Minister, notwithstanding my intervention, is continuing to speak because there is a problem on the Government Benches, in that the Minister who is to reply to the debate on the next Bill is not yet here. Mr. Deputy Speaker, is there any way in which you might indicate your willingness to allow the next debate to commence without the Minister being present? It would be unusual, but not perhaps without precedent.

Mr. Deputy Speaker: That is not a point of order for the Chair. The Chair can only preside over the present proceedings. I have no power to reshape Government business in that way.

Barbara Follett: I am sorry to have lost the interest of the hon. Member for Christchurch. I am trying to respond as fully as possible on his Bill, taking into account every point of view.

Moving to subscription funding would result in the permanent loss of one of the main sources of the BBC's public value: its universality. Research, again commissioned by the BBC, showed that as a subscription service, the BBC would need to charge £13 a month to maximise revenue, which was 30 per cent. higher than the licence fee in 2004. As a consequence, it is estimated that a significant number of people, including some low-income viewers and listeners, would be priced out of the market for the BBC content that they value. Over and above that, the UK population would lose £300 million-worth of consumer welfare every year. In conclusion, the Government and the BBC, having considered the numerous alternatives, cannot agree with the hon. Gentleman that the television licence fee as currently constructed should be abolished.

1.47 pm

Mr. Chope: First, may I congratulate the Minister on being a great team player? I am sure that that will do her no harm in her future ambitions. Her response could be summed up in that throw-away line, "It's a necessary evil." That seems to be the Government line—that the

BBC television licence fee, which 37 per cent. of people are against, is just a necessary evil. I may be the only radical present, and the only person fighting against the outbreak of conservatism with a small "c" in the Chamber, but I know that I have the support of other radicals in promoting the ideas in the Bill. Earlier, I quoted Greg Dyke and Anthony Jay; an increasing number of forward-looking opinion-formers will not let the matter rest. They think that we have to find an alternative to the despised licence fee.

Richard Younger-Ross: Will the hon. Gentleman give way?

Mr. Chope: No. The Minister seemed to be saying that the BBC is an island and that what else is going on in the economy does not really matter, but I suggest to her that the BBC is not an island. That was made very clear by Michael Grade in his speech to the Royal Television Society. I quoted part of it before, and I shall now quote a different bit:

"The critical point is that the costs and benefits of being a PSB"—

that is, a public service broadcaster—

"have to be brought back into a stable equilibrium–and before it is too late.

Since the system is broken, it must either be radically reformed, or replaced completely. There is simply no point in trying to prolong the life of mechanisms whose economic foundations have been washed away."

The Minister will be familiar with the arguments that Michael Grade put forward in that speech. They are all related to what has been happening in the real marketplace, to the threats to the future of competition in the provision of television news services in this country, and to the possible demise of independent television news services.

Mr. Grogan: Will the hon. Gentleman give way?

Mr. Chope: No. We need to bring matters to a conclusion as quickly as possible.

The Minister referred to the report that the penetration of BBC 1 and 2 into people's homes has gone down to 30 per cent. and is still falling. She explained that that is happening because there is a greater diversity of alternatives. Of course there is, but what organisation would be able to put up its charges at the same time as experiencing a fall-off in demand for its services—what organisation other than one that was protected by a monopoly funded by a captive audience of taxpayers who, if they do not pay the tax, are brought before the magistrates court, with the ultimate sanction of imprisonment?

One of the best contributions in a long debate was that from the hon. Member for Bristol, East (Kerry McCarthy), who expressed her concern about extra funding going into website services at the expense of the natural history unit, and explained that the regionalisation of services involves the transfer of "Casualty" from Bristol to Cardiff. All that is being carried out without consultation with her or with her constituents. That is one of the problems with the present structure. There is no such sense of accountability.

The Minister praised the BBC internet services. If Google can raise £50 million a year in advertising from its services, I see no reason why the BBC could not get some advertising revenue from its internet services. Even more important, it is wrong that on its internet services the BBC does not allow a relationship to be developed with other non-BBC services. That is an abuse of a monopoly position, which I hope the Minister will address, even if not the other points that have been raised during the debate.

The hon. Member for Teignbridge (Richard Younger-Ross) made a number of points, going back to all those years when the BBC was a monopoly funded by a licence fee. But things have moved on. He argued that the BBC should be free to compete for the best people. I have no argument with that. My argument is that the managers in the BBC are in a bubble of immunity and seem to be getting much larger salaries than the marketplace would suggest they are worth. I hope the BBC will look into that. As was pointed out by Polly Toynbee, the very high salaries being paid are, in a sense, a poisoned chalice for the BBC.

Let us not forget that my Bill would not prevent people who wished to continue supporting the BBC voluntarily from doing so. Instead of public service broadcasting in the present format, it might, at some time in the future, become a charitable objective. The BBC could obtain charitable status and donations from its supportive public could benefit from Gift Aid and tax relief.

I am not keen on prescription. For that reason, the Bill does not set out in detail the alternative forms of funding, but what is common to all those who criticised the various forms of alternative funding is that they put each one in a silo and suggested that that would be the only alternative form of funding. What I suggest is that the best way forward would be a basket of several different alternative forms of funding, depending on the nature of the service being funded. That argument has not been addressed in the debate.

I am grateful to my hon. Friend the Member for Wantage (Mr. Vaizey) for his comments. As he said, at present the Conservative party is committed to the licence fee. However, reading between the lines of what he said, I am sure that those Conservative and Labour Members who believe that the licence fee is an unsustainable form of BBC funding in the medium and longer term will, in the end, be vindicated.

This is the last private Members' Friday. As there is no point in trying to proceed with this Bill, because it would not be able to get on the statute book, I beg to ask leave to withdraw the Bill.

Mr. Deputy Speaker: Order. I should say to the hon. Gentleman that to be procedurally correct, he needs to withdraw the motion.

Mr. Chope: I stand corrected, Mr. Deputy Speaker. I beg to ask leave to withdraw the motion.

Motion and Bill, by leave, withdrawn.

Umbilical Cord Blood (Donation) Bill

Order for Second Reading read.

1.55 pm

Mr. David Burrowes (Enfield, Southgate) (Con): I beg to move, That the Bill be now read a Second time.

It is a great pleasure to open this debate. Hon. Members always say that their Bills or debates are timely, and I am no different. My Bill is particularly timely, not least because next week attention will focus on stem cell research and regenerative medicine because of the Human Fertilisation and Embryology Bill. At that stage, the focus will predominantly be on embryonic research, but my Bill gives us an opportunity to focus on the increasingly significant issue of umbilical cord blood.

There is a concern that Britain is lagging behind other countries. When we debate the remaining stages of the Human Fertilisation and Embryology Bill next week, we will no doubt hear the Minister saying that the aim is for the United Kingdom to be at the forefront of stem cell research. The concern is that this country is lagging behind when it comes to umbilical cord blood—in respect of availability, transplantation and, significantly, research.

Lembit Öpik (Montgomeryshire) (LD): The hon. Gentleman is right to say that we are lagging behind in those respects. Does he agree that that is a tragic irony, as in this field we have some of the best minds in the world? He will know that I am very involved with the Motor Neurone Disease Association. Does he agree that the innovations that he proposes make sense, because we can make a world-class contribution to curing motor neurone disease and other diseases if we have the courage to make the investment?

Mr. Burrowes: I am grateful to the hon. Gentleman, who is a passionate advocate for those who suffer from motor neurone disease; we all commend him on that.

We are world leaders, to an extent. The issue is timely because at Newcastle university Professor Colin McGuckin and his assistant Dr. Nico Forraz have been leading the way in making the point that umbilical cord blood is not only an alternative to bone marrow stem cells. Professor McGuckin has demonstrated the existence of pluripotent cells in cord blood and that cord blood-derived cells have the capacity to form differentiated tissue types. Like embryonic stem cells, they can be differentiated into other types such as liver, renal, pancreatic, vascular and corneal cells.

It is important that we recognise the potential in the neurone area as well. It is such a shame that Professor McGuckin and Dr. Forraz have resigned from the research unit at Newcastle. They are going to Lyons in France, where they will have the benefit of being able to carry out research into regenerative medicine. They want to set up a regenerative medicine institute dedicated to umbilical cord blood and adult stem cells. Their departure is a significant loss. We should recognise the need to be world leaders on this issue because it has such potential to save lives.

Mr. Andrew Dismore (Hendon) (Lab): As the hon. Gentleman knows, I am one of the sponsors of the Bill and support it. What he is doing is important. I recall that when I visited the blood service in my constituency a little while ago, people there particularly emphasised the importance of collecting umbilical cord blood from the minority communities, among whom collection is lower than among the population as a whole. Does he agree about the importance of that? I see that the Bill refers to the issue. Does he agree that we need to do much more to encourage mothers from minority communities to donate their cord blood, to help deal with the diseases that particularly affect, and are prevalent among, those communities?

Mr. Burrowes: I thank the hon. Gentleman for his intervention and for his support for the Bill. A significant service is provided by the cord blood bank at Edgware and, not far from his constituency, at the Royal Free hospital, with the work that the Anthony Nolan Trust does on cord blood at its headquarters there. A key aim of the Bill must be to ensure the promotion of the collection of cord blood for minority groups and mixed-race families, who are often at the bottom of the scale in terms of finding bone marrow matches. Cord blood offers great hope for people in the hon. Gentleman's constituency and mine. Families in the Cypriot community often experience great difficulties when children who are suffering from leukaemia are unable, because of their particular blood type, to obtain a bone marrow match. They too recognise the importance of umbilical cord blood.

Mr. Philip Hollobone (Kettering) (Con): I appreciate my hon. Friend's remarks. A constituent of mine, Mrs. Jeanette Crizzle, who has now very sadly passed away, was of mixed parentage and died of leukaemia because she could not find a suitable bone marrow match. That led to the creation of the Jeanette Crizzle Trust, which is designed to help the Government to promote the "Give and Let Live" donor programme in secondary schools. That has been taken up by 3 per cent. of schools. The cord blood bank that my hon. Friend would like to set up would give a lot of hope to people of mixed parentage who face these life-threatening diseases with, sadly, little hope of finding a suitable donor.

Mr. Burrowes: My hon. Friend is vigorous in the campaign on behalf of that organisation and has already raised the matter in the House this week. I commend him on that.

The collection of umbilical cord blood by NHS hospitals has arisen in an ad hoc way, not in a way that has taken account of particular ethnic groups that are lacking in this regard because they find it difficult to obtain matches. The service is available in four areas—Luton and Dunstable, Northwick Park, Watford and Barnet. The midlands, for example, has no NHS hospital collecting cord blood. It is important that we look at how that can be improved, and I know that the Minister will want to indicate that progress is being made. Organisations such as the Anthony Nolan Trust are keen for availability to spread further. I commend its national cord blood bank, which was opened on 11 September in Nottingham. It has the great aim of increasing the collection of cord blood, which currently stands at about 10,000 cord units, to 50,000 units in five years. It wants to ensure that there are collection points that properly reflect the importance of providing people, particularly those from mixed-race families, with the matches that they need.

When I was on my journey of discovery in becoming informed about cord blood, Becki Josiah came to see me, and that brought home to me the importance of this Bill and of the Government responding positively to it. Her daughter, Billie, sadly died of acute lymphoblastic leukaemia. She was ill for nearly two years and was due to have a bone marrow transplant but could not get back into remission. Mrs. Josiah tried high and low to find matches for Billie, but sadly, particularly because her daughter was of mixed-race background, it was not possible to find one. She contacted me to say:

"Is there anything you can do to help me highlight this frustrating state of affairs, or maybe there is something I can do to help you?"

How we respond to that is the challenge of the Bill and my question to the Minister.

The Bill is timely in the sense that the Government have an ongoing umbilical cord blood review. I hope that the Minister has sufficient time to provide an update on the conclusions of that review and on whether the aims of the Bill can properly be met by its recommendations.

Mr. Christopher Chope (Christchurch) (Con): What my hon. Friend is putting forward seems to be absolute common sense. Have the Government indicated to him in advance that they support the Bill?

Mr. Burrowes: Sadly, I have not had that indication. As I am sure the Minister will confirm, there is a general indication that there is support for the Bill. Indeed, a recent parliamentary answer said that there is support for umbilical cord research as well as other types of stem cell research, but the Bill wants to put those warm words into reality. We want the Minister today to say, ideally, that there is support for the Bill, despite it not having time to go through all its stages, and to give an assurance that, even through non-legislative means, we can achieve the purposes of the Bill.

The Bill is also timely because this week an all-party parliamentary group was launched on umbilical cord blood and adult stem cells. That has been supported by a number of hon. Members and those in the other place. What is significant about the members of that group and about those who attended the meeting is that they come from all sides of the argument, although they will no doubt draw their battle lines during the human fertilisation and embryology debate. They included many who would traditionally be seen as pro-life, those who would traditionally be termed pro-choice, those who support embryonic research and those who look to what they would consider more ethically sound stem cell research routes. All were there together supporting umbilical cord blood donation and the aims of the Bill. That support shows that we have an important opportunity not just to go down the route of embryonic research but to put cord blood centre stage—it seems to be sidelined at the moment—and to ensure that it has support, so that it is available at collection points and there is proper transplantation and research.

Why is there a need for the Bill? As I have said, just four NHS hospitals have collection points, but there is also a lack of information. I was fortunate to live near Barnet hospital. Throughout the births of our six children, never were we informed that there was the opportunity and option for us to allow the cord blood from our children to be donated. That seems madness and a complete waste. It is a waste that over 90 per cent. of cords are simply thrown away and treated as a waste product when they could be a life-saving opportunity for many. To collect 1,000 or so cords a year is not enough. It is far behind other European countries such as Spain, which sees it as the norm and part of the process of giving blood to collect the cord. Fewer than 200 transplants out of a worldwide total of 8,000 is also not enough. About 65,000 litres of cord blood are thrown away. That is not acceptable. Of those cords that are collected, 50 per cent. effectively end up being thrown away. The Anthony Nolan Trust and others say that we could make so much more use of that. We could make some great research use of that.

The way that cord blood is traditionally used is to help in leukaemia and other blood-related disorders. Such disorders have traditionally led people to seek matches through bone marrow, but of the 24,000 cases of leukaemia in the UK, less than 50 per cent. of patients will find a bone marrow match. That has led to the individuals who have already been mentioned today and to others contacting me about their concern that more should be done. The mother of Eva Winston-Hart, Amy, said, when she sought to find a cure for a particularly vicious form of leukaemia:

"It was just terrible. Eva was getting worse and there was nothing we could do to save her."

In desperation she got out a message to the media to find help. A number of donors came forward. More than 500 people queued in Market Harborough, but no one was suitable. Amy said:

"It was agonising. We were doing everything we could, but as time went by we really thought nothing would be found to save her life."

However, a few months later, Eva found a match. Was that match through bone marrow? It was not. The blood stem cells were from the umbilical cord of a baby born thousands of miles away in a small town in New Jersey, America. Now she is doing well and is optimistic about her future. We need to ensure that there is a life for those like Eva, for those like Billie, whose life, sadly, was taken away—and for those like Caitlin Behan, whom I met only last month.

At the age of seven, Caitlin also suffered from a particularly rare blood-related disorder. Again, she could not find a bone marrow match. By chance, her doctor attended a conference with a consultant from Spain, who happened to mention the option of cord blood. Only through that chance conversation did the information get back to Bernadette Behan that there was an option of finding cord blood as a match for her daughter. The search continued and they went to Barcelona, where the cord blood that was given to Caitlin was found. Now, at the age of 11, she is making progress.

We need to support the work of the Anthony Nolan Trust and other organisations that do such a fine job. Their aim, which should be commended, is to collect 50,000 cord blood units and to locate 10 collection centres in ethnically diverse areas throughout the country. That is a fine aim and those organisations work well with King's College to ensure that samples are available for transplantation and research. We should also support the national cord blood programme, which is based in Nottingham. However, we need to go further by providing information to pregnant mothers. The Bill would do

[Mr. Burrowes]

that and require the Secretary of State to issue guidance to medical practitioners so that people are informed about the value and benefits of cord blood.

We should also recognise the research value of umbilical cord blood. It is not only an alternative to bone marrow, but has great potential for the future. We need to ensure the availability of cord blood samples for research. We support the fine work of Newcastle university and Colin McGuckin on ensuring that we do not necessarily have to rely on embryonic research, but can pursue umbilical cord blood as a convenient, ethically sound alternative, which many people would support.

We did not get there first—New York got there before us. Last year, Assemblyman Joseph Lentol introduced the Umbilical Cord Blood Bill, which was passed. He said:

"I believe this bill may be one of the most important we pass for expectant families this year. Many young couples and growing families do not yet know how important it is to consider storing umbilical cord blood after the birth of a child even though storing umbilical cord blood could be a lifesaver".

I echo those words and his comments at the end of his speech:

"I am very proud of this legislation. Families need solid, reliable information in order to determine what to do with their newborn's stem cells. This bill will help ensure that happens".

The Bill that we are considering would ensure that that happened here. In Question Time on 15 October, the Under-Secretary recognised the potential of cord blood. We need to go further to realise it. We must ensure that we provide sufficient information to parents and hold the Government to account for their actions.

I commend the Bill to hon. Members, but recognise that it has limited parliamentary time and therefore call on the Government to issue guidance or other non-legislative means to realise the measure's aims.

2.13 pm

Mike Penning (Hemel Hempstead) (Con): I congratulate my friend and colleague the hon. Member for Enfield, Southgate (Mr. Burrowes) on introducing the Bill and I am sad that the time for examining it is so limited. I am not sure whether the Government were concerned about the previous measure, which they seemed to want to continue to discuss for no reason, or whether they are worried about the Bill that we are considering. Perhaps the Under-Secretary will tell us and the country—and those who are desperate for umbilical cord and stem cell treatment—why the Government do not appear to want the Bill to make progress.

We have already heard that we are the leading country in stem cell research, with world-class experts in the field, yet as we have also heard, other countries are leading the way in the collection of cord stem cells and cord blood.

As this country becomes more ethnically diverse, it is important that we as a country, as politicians and as clinicians, try everything possible to ensure that those who need treatment but who are barred from receiving it simply because their ethnic background means that it is difficult to find a match or because they are of mixed race, get the treatment that they deserve. We hear all the time—indeed, we have heard again today—that many people who need bone marrow transplants, particularly those from the smaller ethnic groups or those of mixed race, face problems finding a match. That is a difficultly in my constituency, where there are fairly large Kashmiri and Bengali communities, simply because we do not have the opportunity to get matches in this country. A national cord stem cell programme would help enormously with that.

The House has shown its will. Early-day motion 969, on the Anthony Nolan Trust and the national cord blood programme, has cross-party support and has attracted 133 signatories. Hon. Members should remember that Government Members on the payroll vote are not allowed to sign early-day motions, which shows how huge the number of hon. Members who have shown their will for the Bill to go forward is. It is a crying shame that it appears that the Bill will not be given the time that it requires.

I congratulate my hon. Friend the Member for Enfield, Southgate on his perseverance and his personal knowledge of the issue. It is also a shame that the Government have not taken the opportunity to address the matter in the Human Fertilisation and Embryology Bill, which is currently going through the House, as they could have done, not with an ongoing review—there are so many reviews taking place all the time—but by saying in the Bill that we need to take cord blood research forward.

As you can imagine, Mr. Deputy Speaker, I could speak for some time but I am desperate, as I am sure the House is, to hear from the Minister why, it appears, the Government do not support the Bill.

2.17 pm

The Parliamentary Under-Secretary of State for Health (Ann Keen): First, let me say to the hon. Member for Enfield, Southgate (Mr. Burrowes) that of course we have sympathy for the sentiment of the Bill. Indeed, it would command our support were it not for the fact that we already carry out everything that it requires.

It is important to place on record the fact that although we export nearly 75 per cent. of our cord blood units, we import a large percentage through mutual access to international networks. The NHS cord blood bank is the fourth largest in the world. There is no call anywhere in the world for routine collection. We have a large bank and it will get bigger. There is access to more than 10 million cord blood and bone marrow samples through worldwide networks. It is essential that we support the research that hon. Members have raised involving their constituents—sadly, including constituents who are no longer with us—so that they can benefit from it. That is what we are all about.

The Bill as it stands does not recognise the extensive work that the NHS already carries out on cord blood banking or show any real insight into, or analysis of, future cord blood need and how it could be best delivered, and we therefore cannot support it. Before explaining our opposition in more detail, I, like the hon. Gentleman, would like to welcome the Anthony Nolan Trust's initiative. Since its establishment in 1977, the trust has proved highly successful and is today arguably one of the leading centres of bone marrow expertise in the world. The trust's register of more than 400,000 bone marrow donors plays a crucial part in helping to treat NHS patients suffering from life-threatening blood disorders.

I volunteered to become a donor in the '80s, when I was working as a nurse in the NHS at Hammersmith hospital, which had launched an initiative to encourage people to donate towards the Anthony Nolan Trust. Its work is vital not only nationally but internationally, because it is part of a network that gives NHS patients access to more than 10 million registered bone marrow and cord blood donations worldwide. That is a fantastic achievement, and it is made possible by the hard work and dedication of those involved with the trust. It is a commitment for which I and many thousands of others are very grateful.

There is already a national cord blood banking programme. The Department of Health has funded targeted cord blood collection for the past 12 years. The NHS cord blood bank, managed by the NHS Blood and Transplant authority, was established in 1996 and has received more than £10 million in funding from the Department of Health. It is the fourth biggest such bank in the world, with an inventory of about 12,000 umbilical cord blood units. The Department will be investing a further £10 million to increase the number of units stored to 20,000 by 2013.

The vast majority of donors available on registers worldwide are of white Caucasian ethnic background, and most patients from that racial group have more than a 90 per cent. chance of finding a matched unrelated donor. However, that figure falls substantially for patients from ethnic minorities, who have only a 30 to 40 per cent. chance of finding a good match. The point raised by the hon. Member for Hemel Hempstead (Mike Penning) on that issue is taken seriously by all of us in the House because we all have constituents from different backgrounds and because we all have a responsibility to worldwide research in this area.

The aim of the bank is to redress that imbalance by focusing collection at hospitals with high ethnic diversity and high delivery rates. As a consequence, approximately 40 per cent. of donations in the NHS cord blood bank derive from ethnic minority mothers—in contrast to the 3 to 4 per cent. ethnic minority bone marrow donors presently in the British bone marrow registry—thus increasing the potential for matches among patients from diverse ethnic groups. Collections take place in a dedicated area outside the delivery suite, so that risk to the well-being of the mother and child is minimised.

Mike Penning: The Minister rightly mentioned the problems relating to ethnic minorities, but this is much more of a problem for people of mixed race. That area is smaller and much more crucial.

Ann Keen: The hon. Gentleman raises an important point. The Department of Health's umbilical cord review is due to report in the late autumn, towards the end of the year. The consultants carrying out this extensive review are due to produce their report soon, as I have said. The work is important because it also includes comparisons with current practice in other interest countries, namely, Canada, China, France, Japan and the United States of America. Interest in the review has far exceeded expectations, and it—along with the accompanying debate and the very well-received expert workshop that took place at the end of May—has provided the Department with a far more detailed picture of the situation, nationally and internationally.

Mr. Burrowes: I invite the Minister, once the conclusions are reached at the end of the year, to make a presentation to the new all-party group, which will be very pleased to hear what she has to say. Perhaps she will let me know whether she will accept that invitation. Also, will the review properly encompass the issues of an alternative to bone marrow and of research value? An answer to a parliamentary question of 15 October stated:

"Cells of the connective tissue, blood, muscle and neurons have been generated from umbilical cord stem cells."—[*Official Report*, 15 October 2008; Vol. 480, c. 1364W.]

Will the review look into the great potential, particularly in the area of neurons, for this to be an alternative to embryonic research?

Ann Keen: The hon. Gentleman again raises an interesting point, and I feel really confident that the Minister who has responsibility for this matter will want to share the findings of the review. If he writes to me on those points, I will personally see that they are given priority in the Department so that they can be included. We will do our best to do that, because his interest in this matter is obviously heartfelt.

As I suggested, the collections take place in a dedicated area outside the delivery suite, so risk to the well-being of mother and child is minimised. All collections comply with the Human Tissue Authority and are in line with the Royal College of Obstetricians and Gynaecologists guidelines. Suitable samples, which contain at least 40 ml of blood, are processed for banking and later transplantation. Those not meeting the criteria are, of course—where consent is in place—made available for this important research. All the units are available to NHS patients across the country.

The cord blood banking remit also encompasses the collection of directed donations to treat members of high-risk families. Collections are made by midwives at four NHSBT centres at Oxford, Bristol, Birmingham and Leeds. The service is supported 24 hours a day and includes training, telephone advice and liaison with the obstetric delivery unit to arrange collection. The training is, of course, essential. When people are on the telephone, it is critical to pass this information on to them in an informed way. That is why the continuing professional development of all concerned is an important issue; it must be taken with the seriousness that it deserves.

The proposals from the Anthony Nolan Trust for its national cord blood programme are a timely and interesting addition to the debate. However, Department of Health Ministers and officials in their many conversations with the trust have made it clear that support for any proposal of this nature—from the trust or any other organisation—can be given only if it supports and complements the current collection programme of the NHS Cord Blood Bank. The bank has vast experience and highly developed skills in the collection and banking of cord blood that cannot be matched anywhere else in the UK. I hope that all hon. Members will always highlight that fact whenever they speak about this subject. It is worth repeating that the bank has vast experience and highly developed skills in the collection and banking of cord blood that cannot be matched anywhere else in the UK.

The ANT has also had many years of experience of working with the NHS to identify potential bone marrow donors and provide sample matching services. The synergy between these two skill sets is self-evident. That is why

[Ann Keen]

any support for the ANT proposals must be on condition that the two organisations work together to maximise the benefits of their work and, more importantly, to minimise duplication.

The Department of Health will shortly report on the findings of its review of cord blood collection and use. What has been very clear throughout the review is that there is no real call from the scientific and medical fields routinely to collect cord blood. If current collection and use is to be expanded in order to meet optimal unit numbers earlier or to provide more research material, that is best developed through existing specialist services in the area and in collaboration with NHS trusts and maternity services. Legislation requiring routine collection in all births would lead to a drain on NHS resources that could not be justified by clinical need. I am sure that the hon. Member for Enfield, Southgate supports that.

Umbilical cord blood is a wonderful source of blood stem cells, which are useful for the treatment of blood disorders, including leukaemia and lymphoma. Two years ago, I had the opportunity to accompany other Members and visit Harvard university and its stem cell research centre. The hon. Member for Enfield, Southgate and other hon. Members should do their best to visit it, too. The centre is managed by its chief executive, Brock Reeve, the brother of Christopher Reeve of Superman tendencies. I feel that the openness that it is willing to—

It being half-past Two o'clock, the debate stood adjourned.

Debate to be resumed on Friday 24 October.

Remaining Private Members' Bills

UNION FLAG BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 24 October.

EXPENSES OF PUBLIC SERVANTS (PUBLICATION) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Tuesday 21 October.

LAND USE (GARDEN PROTECTION) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 24 October.

IRAQ WAR INQUIRY (NO. 2) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Tuesday 21 October.

SOVEREIGNTY OF PARLIAMENT (EUROPEAN COMMUNITIES) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 24 October.

ROAD TRAFFIC (CONGESTION REDUCTION) BILL

Order read for resuming adjourned debate on Question [13 June], That the Bill be read a Second Time.

Hon. Members: Object.

Debate to be resumed on Friday 24 October.

LEASEHOLD REFORM BILL

Order read for resuming adjourned debate on Question [22 February], That the Bill be read a Second Time.

Hon. Members: Object.

Debate to be resumed on Tuesday 21 October.

CITIZENS' CONVENTION BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Tuesday 21 October.

FIXED TERM PARLIAMENTS BILL

Order read for resuming adjourned debate on Question [16 May], That the Bill be read a Second Time.

Hon. Members: Object.

Debate to be resumed on Tuesday 21 October.

DRUGS (ROADSIDE TESTING) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 24 October.

DRUGS (RECLASSIFICATION) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 24 October.

CROWN EMPLOYMENT (NATIONALITY) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 31 October.

HUMAN RIGHTS ACT 1998 (MEANING OF PUBLIC FUNCTION) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 31 October.

THEFT FROM SHOPS (PENALTIES) BILL

Order for Second Reading read.

Hon. Members: Object.

To be read a Second time on Friday 24 October.

Mr. Andrew Dismore (Hendon) (Lab): On a point of order, Mr. Deputy Speaker. Is there any way of recording it in *Hansard* that Conservative Members yet again objected to the Crown Employment (Nationality) Bill, thus ensuring that it has made no progress for the sixth year running?

Mr. Deputy Speaker (Sir Alan Haselhurst): Not beyond what the hon. Gentleman has put on the record.

Gas Supplies

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Blizzard.]*

2.34 pm

Siobhain McDonagh (Mitcham and Morden) (Lab): It is not often that I ask for an Adjournment debate, but a few weeks ago I met someone at my weekly advice surgery and something about her story really got to me. I almost could not believe that a big business, and especially a big power supplier, could treat her as it had and not realise that anything was wrong.

My constituent, Michelle, told me that she and her six-year-old son, Jayden, had been left without hot water, cooking and heating for four and a half months. She told me that she had fallen behind on her gas and had been cut off. At no time did she disguise the fact that she had arrears. She said that she had spoken to her supplier on numerous occasions to try to get on a lower tariff and make affordable monthly payments, or even go on a prepayment meter—all to no avail. She said that she had told her supplier that she had a six-year-old son, but that the person she spoke to had said that that would not make any difference, as they could help only if he was under four. She told me that ever since she had been cut off, she had faced problem after problem and felt as though she was being held to ransom over impossible demands.

Michelle's gas supplier is Scottish Power. The more I have dealt with that company in this case, the more I can believe what she has told me. Like other hon. Members, I take up dozens and dozens of new cases each week, writing and speaking to companies and public bodies alike. I do not always agree with the outcome, but I usually feel that I am dealing with reasonable people. Scottish Power might be a perfectly nice company, but something about my dealings with it has not felt quite straight. If I were to apply for an Adjournment debate every time I thought that a constituent had got less than they deserved, I would be here every week. But I want to single out Scottish Power for special attention. The information it has given me has been inconsistent and contradictory, and at root I just do not think that it is bothered about my constituent. Nor does it think that I can do anything to affect it.

I have initiated this debate because I am worried that Scottish Power might be treating other people unreasonably. I want Michelle and Jayden to be able to cook again, and to be warm this winter. I just do not think that Scottish Power is all that fussed. I do not pretend for a moment that Michelle has been one of the company's best customers. She certainly fell behind with her payments, and it has been a vicious circle for her for three years. But the price has been going up, and she is on benefits. It has not been easy, and she has got into a mess. Her history with Scottish Power has been far from straightforward.

Scottish Power took over her supply in March 2005, when she was obviously a customer it thought worth attracting. It said that she could pay a direct debit of £35 a month, but within six months it said that she had to increase her direct debit by 30 per cent. to £45. It is not possible to tell whether it lured her in with a low introductory rate and then decided to start taking more and more, but a 30 per cent. increase in the first six

[Siobhain McDonagh]

months seems rather high. We should remember that this was before the huge price rises of the last year or two. Nor was it necessary. Michelle's bill said that in that first six months she had actually overpaid, by £81.38, but still Scottish Power pressed ahead and increased her direct debit. This was the point at which Michelle started to fall behind.

Michelle called Scottish Power to say that she could not afford £45 a month, and asked to stop her direct debit. Scottish Power did not get any further information at this point, or find out if she had children or was on benefits. They just let her be, no doubt happy to add the monthly penalty to the bill of customers who cannot pay by direct debit these days. It did nothing for another five months until, in February 2006, it sent out a reminder, took Michelle off any discounts she might have once had, and gave her case to the collections team.

When I first raised this case with Scottish Power, it insisted that it had been unable to talk to Michelle, and that it did not know anything about her circumstances. But I received a new account on Wednesday, and it admitted that since Michelle first got into difficulties when the company increased her direct debit, she had rung it on many occasions. On at least three occasions, she offered to set up a direct debit that she could afford, every time for more than the £35 a month she was originally told would be enough. Scottish Power said no. By now, the tariff that she was being charged for her gas and electricity became less and less generous, and so a vicious cycle developed. From the moment Scottish Power increased her direct debit beyond her ability to pay—while Michelle was still in credit, remember—the die was cast. The gap between the amount she could afford and the amount she was charged widened until, almost inevitably, Scottish Power cut her off.

Let us look at the tariffs again in more detail. Michelle's original tariff was £35 a month. Scottish Power put that up to £45 a month, from which point things got worse: because she could not pay that amount, her charges increased month after month. According to the latest documentation, which Scottish Power sent me on Wednesday, between April and July 2006 Michelle's bill for her gas and electricity averaged £50 a month. From July to October 2006, it went up to nearly £70 a month. In the next three months, it went up to £110 a month. Her next meter reading was amended, and the bill went up to £320 in just one month. In the next two months, she was charged an astonishing £150 a month, and so it went on.

How is such a thing possible? Michelle and Jayden live in a small, two-bedroom housing association flat. Last week, Scottish Power told me that she was being charged an average of £75 a month and I thought, "Wow, that's a lot for a small home like hers". I thought she must be on a really horrible tariff, but the new information from Scottish Power shows that her bill went up to more than £100 a month.

If I do nothing else today, I want to complain about how those who can least afford to pay a bill always seem to be on the least generous tariff. Why are those who are most likely to get in trouble always charged the most? As I said in the topical debate yesterday, the Government must do even more to stop the disproportionate charges levied on people with low incomes. I was pleased that my right hon. Friend the Secretary of State is committed to doing more for people who use prepayment meters. Most people on prepayment meters are the least well-off. It is well known that people who pay by prepayment meters are penalised heavily.

According to Ofgem, people with prepayment meters pay £125 more than people who pay by direct debit, but, ironically for people such as Michelle and Jayden, they can be a useful solution. For people in such a bad position, a monthly payment coming out of their bank account is too much of a worry, and pay-as-you-go can be a helpful arrangement. Michelle has been asking Scottish Power to install a meter, so that she does not lose her heating, cooking and hot water again, but Scottish Power has refused. The company says that it is an infrastructure issue and that a meter can be installed only by the infrastructure provider, Southern Gas Networks, and the meter provider, National Grid Metering.

Apparently, Michelle and Jayden must have extra pipework installed in order to have a prepayment meter and it will cost £350 plus the cost of a CORGI engineer, who is also needed for the job to be done. However, it is not the big utility company that will have to pay all that money. Michelle and Jayden have to pick up the bill. How can that possibly be? How can they be expected to pay hundreds of pounds when they cannot afford even a single month's charge? The utility companies are not only charging our least affluent constituents the highest tariffs, but trying to get them to pay hundreds of pounds for the privilege of having a prepayment meter that most hon. Members would consider a rip-off if we had to have one.

I asked whether Scottish Power has a charitable arm, or a social responsibility fund, but it replied, "Not for things like this". So, Michelle cannot even have a prepayment meter. What is worse is that she cannot have her standard meter back either, because Scottish Power will not let her have it unless she agrees to pay a direct debit of £136 a month—£101 more than the amount she was originally paying. That is an increase of nearly 300 per cent. in three years. It is just staggering to see such a price rise for someone on benefits, with a young son.

I am not sure how Scottish Power expects my constituents to get back on the level. They are in a Catch-22 situation. They cannot afford the bill so they cannot have a standard meter, and they cannot afford the charges to install a prepayment meter. As the public affairs man from Scottish Power says, without any sense of how satirical he is being:

> "Any payment plan lower than this would not be realistic as this would only result in the debt increasing, which we cannot allow to continue."

The company seems to have made up its mind. There is no compassion and no sense of responsibility for the position of my constituent.

The company says that it could not do anything because it did not know that Michelle was on benefits and it did not know that she had a child. I am not sure that I believe that; as I said, Michelle told me that she had spoken to an adviser and they had said they could help only if her son was four. Nor am I sure how hard Scottish Power tried to find out whether Michelle was on benefits or whether she had a child. The company said that it had not been able to get through to her, but

every time I ring her she picks up straight away, even though her mobile says "Number withheld".

Michelle has always been very open with me about her situation, so I do not understand how Scottish Power could not have known her circumstances. From my experience of the company, I can easily believe that it would not have bothered, or had the common sense, to ask her—perhaps because it could charge her more if it did not know. Whatever the reason, the Government should insist that utility companies find out whether anyone in arrears has children or is on benefits. When companies find that out—as in this case—the Government should ensure that they change their approach.

Scottish Power would rather have Michelle and Jayden pay hundreds of pounds they clearly do not have and carry on without cooking, heating or hot water. The best the company can offer is to say that as Michelle is on benefits she might be eligible for Fuel Direct, whereby the Department for Work and Pensions deducts payments directly from benefits to pay off arrears. However, as Scottish Power has repeatedly stressed, that would result only in her accruing further debt. Things can only get worse.

As I said in the topical debate yesterday, it is not fair. Keeping a family without hot water, heating or cooked food for four and a half months and trying to charge them £500 for a new meter when they cannot even afford £45 is not right. I hope that my hon. Friend the Minister will listen to this story and come to the same conclusion. The utility companies are very well off and cases such as this are very rare, but there is a degree of responsibility. Utility companies spend an enormous amount on public relations. Scottish Power is part of a group that made profits of €200 million last year. It talks a lot about corporate social responsibility, and for all I know its record may be better than most, but corporate responsibility is about more than fuzzy words and glossy leaflets sent to people such as us and other key stakeholders; it is about people such as Michelle and six-year-old Jayden.

It is time that the utility companies learned real social responsibility. I hope this debate helps them to move in that direction.

2.47 pm

The Parliamentary Under-Secretary of State for Energy and Climate Change (Joan Ruddock): I am grateful to my hon. Friend the Member for Mitcham and Morden (Siobhain McDonagh) for raising this very important constituency case and highlighting the wider issues that are of universal concern.

I express my sympathy for my hon. Friend's constituent, Michelle, and the situation in which she finds herself. Although we all have a responsibility to pay our bills, there is no doubt that rising prices can overwhelm people's ability to pay and to organise their family finances. That is why a supplier's ability to disconnect a customer is strictly circumscribed, and rightly so. It should be a weapon of last resort that no one would wish to use.

We expect our energy companies to have in place effective debt prevention policies, which should be rooted in good management and good communications. Such policies would require companies to be particularly sensitive and proactive at a time of unprecedented price rises. Most companies alive to the difficulties brought by higher prices have a social tariff enabling certain groups of low income people to benefit from lower charges. It is surprising that no such tariff is offered by Scottish Power, although the company has told me that it expects to have one in place by the end of the year.

Disconnections are governed by a range of rules in the supply licences under which energy companies operate. Before disconnecting a customer, suppliers have to follow a series of steps—as my hon. Friend suggested—which include giving the customer time to pay, offering alternative payment methods and ensuring that the customer is able to meet any payment arrangements for recovering the debt.

Most problems that stem from customer indebtedness are resolved well before court action and disconnection. As my hon. Friend said, a prepayment meter, which allows the customer to pay for ongoing gas or electricity use and at the same time gradually pay off accumulated debt, is a common way of avoiding disconnection. I shall say more about prepayment later. Specific arrangements, in place since 2004, to which all the large gas and electricity suppliers subscribe, govern the treatment of genuinely vulnerable customers, and are designed to ensure that, as far as is practicable, no vulnerable customer is disconnected. The arrangements include a cross-industry definition of vulnerability and a safety net of measures integrated into suppliers' debt management processes. Furthermore, customers threatened with disconnection can get assistance from the statutory consumer body, Consumer Focus, whose Glasgow office deals with problems facing vulnerable customers and with all threats of disconnection.

I do not want to—I cannot—enter into a discussion of the merits or demerits of the case my hon. Friend raises, but what is obvious is that none of the mechanisms that are in place worked, and I assume that none of the advice services was accessed. As a consequence, we have a vulnerable family disconnected and no apparent means of solving the problem.

Let me explain what is expected of companies. As an alternative to disconnection and loss of supply, the customer should be offered a prepayment meter, which, as my hon. Friend points out, allows close control over expenditure for the customer and the recovery of debts for the company. However, where a supplier calibrates a prepayment meter installed to recover debt, it must, under the terms of its supply licence, take into account the customer's ability to pay. It is clear that, in Michelle's case, that could have been difficult. She would have been well advised to discuss the matter with the Benefits Agency, with a view to agreeing a Fuel Direct payment, because such payments are limited.

As my hon. Friend has explained, however, the reason no prepayment meter was connected arose from the necessity to provide new pipework to the meter. As I understand it, and as she said, I think, the gas infrastructure company, Southern Gas Networks, has confirmed that the pipework is not the responsibility of the gas supplier but that of the customer or landlord. As such, I am sorry to tell her that there is indeed no obligation on Scottish Power to fund the work—indeed, if it did, it would be entitled to reclaim the money from the customer.

I realise that it is of no comfort to my hon. Friend to hear the legal niceties of an obviously distressing and frustrating constituency case. So what is to be done?

[Joan Ruddock]

Clearly Michelle and her son cannot be left to languish without heating, hot water and fuel for cooking. There is no legal redress, but perhaps common sense and a little humanity ought to be exercised. Some energy companies have a trust fund that can be used in exceptional cases. Regrettably, Scottish Power does not, but perhaps, having heard my hon. Friend's pleas today, the company will review its position.

Prepayment meters have been a matter of concern to Labour Members for some time. As prepayment meters are more expensive to buy and to service than ordinary meters and require an infrastructure to support them, customers using them have faced higher costs. That is why, in the Budget, my right hon. Friend the Chancellor made it clear that the Government were prepared to consult on using their statutory powers with a view to reducing the differentials between different forms of payment.

Last week, Ofgem reported on its probe into gas and electricity markets, which included examination of prepayment charges and differentials. It found that the premium charged to prepayment meter customers is, on average, justified. None the less, the premium paid by prepayment customers varied between suppliers, between regions and between levels of energy use, and, on average, it had increased from about £80 at the beginning of 2005 to £125 at the beginning of 2008. Ofgem's broad conclusion was that premiums at the lower end of the consumption range, which were about £80, had a sound justification, whereas those at the higher end, which were about £170, did not. Between now and 1 December, Ofgem will consult on the findings of its probe, including those on prepayment meters.

As he announced in his statement yesterday, my right hon. Friend the Secretary of State for Energy and Climate Change has met representatives of the six large domestic energy suppliers. He has made it clear that where there are problems, the Government expect rapid explanations and actions to remedy them. He will meet the companies again later this month to see what they have done. If the companies do not take satisfactory action, the Government will consult on legislation to deal with any unfair price differentials. I have to say that Scottish Power's prepayment charge is less than its standard cash quarterly tariff. Of course, Michelle does not know that because she does not have a prepayment meter.

The fact is that we need greater fairness in electricity and gas prices, and my right hon. Friend the Secretary of State has made clear the Government's determination to tackle those inequalities. There is undoubtedly pressure on consumers, and, as my hon. Friend the Member for Mitcham and Morden has said, there may be many people facing similar problems, so I should like to set out what consumers might do if they get into difficulties. First, they need to talk to the supplier. I hope that they would get an appropriate response. There might be a trust fund available for emergencies; some companies have such a fund. People should get advice by calling Consumer Direct; they will be put through to Consumer Focus, which deals with such issues. Alternatively, they can contact a citizens advice bureau or other debt advice agencies.

People on benefits should certainly talk to the Department for Work and Pensions and the supplier about using Fuel Direct to recover debt owed to the supplier. Consumers should also consider switching supplier. Consumer Focus's website gives details of tariffs for all main suppliers, based on low, medium and high use of gas or electricity. It also provides links to price comparison websites and can send out fact sheets for those who do not have computers.

This debate has rightly focused on disconnection and prepayment meters, but the Government have an interest in trying to help all consumers to reduce the cost of their energy, no matter how they pay, so in September we announced a package of measures known as the home energy saving programme, which is designed to help households to reduce their energy costs, year in, year out, with the added benefit of reducing our CO_2 emissions. The largest element of the package was an additional £560 million under the suppliers' carbon emissions reduction target to fund free or subsidised improvements such as loft and cavity wall insulation. Some 11 million elderly and low-income households will qualify for those measures at no cost to themselves. We believe that the element in question could benefit 2 million households.

In addition, gas and electricity suppliers and electricity generators will contribute a further £350 million to a new community energy saving programme. The Warm Front scheme also continues, with increased funds. It offers not just energy efficiency measures but benefit checks that help to produce, on average, an additional £1,400 per household per year. Winter fuel payments have been increased from £200 to £250 this winter for all pensioners, and to £400 for over-80s households. Our Act on CO_2 campaign is currently advertising nationally to inform people about the support available. It is continuing its efforts to encourage people to compare the deals available from suppliers, to pay by direct debit and to take advantage of money-off deals on energy efficient products. For the record, its telephone number is 0800 512 012.

I am grateful to my hon. Friend the Member for Mitcham and Morden for securing the debate, and I hope that a solution to her constituent's problems can be found as a consequence of it. I take very seriously the points that she made today, and I would like her to keep me informed of the company's response, following this debate. I will, of course, be willing to assist her in any representations that she wishes to make.

In these difficult times, all of us in Government, Parliament and industry need to be proactive, to give maximum help to the most vulnerable, and to ensure that our energy supply costs are fair and transparent. Let me assure the House that my colleagues in the new Department of Energy and Climate Change will energetically pursue that agenda.

Question put and agreed to.

Adjourned accordingly at two minutes to Three o'clock.

Westminster Hall

Tuesday 7 October 2008

[JANET ANDERSON *in the Chair*]

Anti-Drug Awareness

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Watts.]*

9.30 am

Mr. Graham Allen (Nottingham, North) (Lab): As part of Nottingham's early intervention initiative, our city is leading the way on an anti-drug and alcohol education programme with a £750,000 programme, Drug Aware, that will reach every young person in our city. For about the cost of a year's intensive treatment for a handful of addicts, we will effectively provide inoculation against drug and alcohol abuse for every child in Nottingham.

My challenge to the Minister is that it makes no sense to wait until kids turn into offenders and then use massive amounts of taxpayers' money to fuel expensive and largely ineffective rehabilitation programmes. Late intervention does not work. We should pursue a policy of early intervention, filtering out much earlier those who might drift into abuse so that specialist rehab services can focus on a much smaller hard core. It would be remiss of me not to congratulate my hon. Friend the Minister on his recent promotion. I am delighted that he has deferred it for a day to answer this debate. I know that the issue is close to his heart. He has been extremely helpful on both the ministerial and the personal level to the initiative that I wish to discuss.

History will judge harshly a Government who, after a decade, do not have a nationwide system of drug education in place as the first strong line of defence to protect the nation's children. We are all aware of the effects that illicit drugs and alcohol can have on individuals, families and communities, and none of us is more so than the Minister, who helped Nottingham start its drug education journey when he was a humble junior Minister.

On health, alcohol-related deaths have doubled since 1979, and last year in Nottingham there were 4,000 alcohol-related attendances at accident and emergency departments. On crime, the Home Office states that up to three quarters of crack and heroin users claim that they commit crime to feed their habit. There are about 3,000 problem users in my city, and the city council estimates that drug-related crime costs the city more than £300 million a year. On the economy, the Prime Minister's strategy unit estimates the annual cost of harms associated with alcohol misuse alone to be more than £15 billion, and the treatment charity Addaction found in a recently produced briefing report that the social and economic costs of drug misuse to the nation total more than £28 billion annually.

Such deep-rooted problems are not amenable to one-off campaigns, however well-meaning. They require decades of education to bring about cultural change. That is why it is everyone's problem and every party's issue. As I hope is shown in my recent publication, "Early Intervention", co-authored with the right hon. Member for Chingford and Woodford Green (Mr. Duncan Smith), social and political consensus is vital. I welcome the Conservative and Liberal representatives as well as those of the Government to this debate.

Alcohol misuse and drug misuse have a particular impact on young people, as they are directly and indirectly associated with youth offending, higher levels of school exclusion and teenage pregnancies. In Nottingham, our definition of early intervention is intervention that helps break the intergenerational cycle. A drug and alcohol awareness programme classically meets that test. Children of problem drug users and drinkers experience more behavioural and emotional problems and are more likely to develop problems with drugs and alcohol themselves. Let us break that intergenerational cycle.

For that reason, Nottingham, particularly its local strategic partnership One Nottingham, which I have the privilege to chair, sees a comprehensive drug and alcohol filter as an early intervention priority. Our lead partnership is the crime and drugs partnership, but as the Minister has seen at first hand, all the other partnerships, especially the children's partnership, have made it their problem too. The crime and drugs partnership, or CDP, has been highly successful in reducing crime in the city. Between 2003 and 2008, it exceeded Government targets—and, more importantly, our expectations—in reducing crime by 26 per cent. I pay tribute to Derek Stewart, the CDP's chair, its chief executive Alan Given and their team for their superb work. They know more than anyone that our priority must be to move a step up towards education and early intervention if such figures are to continue being pressed down and not to plateau.

Although common sense tells us that prevention is better than cure, the idea often seems to baffle those at the national level. Saving 100 kids from going wrong is harder to measure and express in box ticks than putting one person into rehab. One chief constable in Nottinghamshire told me that when he defended a drug education programme, he was asked by the Home Office, "How many burglars does it catch?" There are those who have enormous and vocal vested interests in late intervention, with millions of pounds and lots of personnel to defend. They have populated local policy-making machines and those in Whitehall to such an extent that to break their stranglehold will require a Minister—perhaps a Minister of State—with unique determination, a quality that my hon. Friend possesses in abundance.

Drug treatment strategy and funding seem to be predicated on an unwavering supply of new entrants to the drug treatment system. Some 2,173 people underwent drug treatment last year in Nottingham. Perversely, we are congratulated on having more people in rehab. Surely the objective of a comprehensive and rounded policy should be "Fewer abusers, better treated". The total cost to the Government of those in treatment in Nottingham is about £7 million a year. According to the Department of Health, treatment alone costs the UK £597 million a year nationally, yet the BBC reported last week that only 3 per cent. of addicts finish treatment drug-free. The strategy is to have fleets of gold-plated ambulances at the bottom of the cliff instead of a simple wooden fence at the top. I challenge the Minister to join me in rejecting that strategic approach. There are clear benefits, including massive financial savings, to filtering out most potential abuse early by providing

[Mr. Graham Allen]

volume education and prevention programmes, identifying young people at risk of problem drug use and targeting effective prevention work at them.

Evidence shows that balanced, accurate drug education can be a factor in countering peer group pressure or delaying the onset of casual drug use. Moralistic or scare approaches are likely to be ineffective, and the threat of criminal sanctions and jail simply does not prevent large numbers of young people from misusing drugs. However, most drug education in UK schools is patchy, confused and inconsistent. It comes under personal health and social education provision, which is neither a statutory subject nor a specialist area in initial teacher education. It may not matter in leafy suburbs, but in poorly parented areas such as my constituency, learning effective life skills at school, including anti-drug awareness, is an essential foundation for many who, sadly, do not get such education at home.

We seem to have a command economy for rehab but a laissez-faire approach to prevention. Whatever we do in Nottingham, only national Government can make it happen on the scale necessary to cut off the supply of those abusing drugs. It is crucial to provide good-quality drug education whose purpose is clearly understood and whose quality is measured locally and nationally through independent inspection. Accurate and effective information and guidance for young people are key to ensuring that they never try drugs in the first place. Higher Government standards relating to the quality and coverage of drug education are therefore also required.

Crucially, the importance of drug education must be part of a wider educational framework. It is impossible to inoculate young people against drug misuse with just a few hours of drug education. Drug education programmes can no more stand alone than can teenage pregnancy programmes, aspiration programmes to improve educational attainment or behavioural programmes. They must be one part of broader life skills education to raise social and emotional literacy, particularly among 11 to 16-year-olds, and to build on the excellent social and emotional aspects of learning programme—SEAL—in primary schools. That will require a Minister to take responsibility for much better joining up between the Home Office and the Department for Children, Schools and Families.

One Nottingham's mission is about early intervention. With our partnerships in health, children's services and crime and drugs, we are implementing universal and targeted drug and alcohol education. That includes health promotion campaigns targeted at parents of young people to enable them to develop parental responsibility for their children's drinking and drug abuse, early intervention to prevent the onset of youth drug misuse, and the healthy schools initiative. The majority of Nottingham schools have achieved full "healthy school" status and 76 per cent. have met the programme's drugs and alcohol standard, which includes having drug education programmes embedded in the curriculum. Schools are also required to refer pupils requiring early intervention to the appropriate services. Last year 15 pupils were referred to treatment, and many more are now receiving targeted support.

The Drug Aware award will take our efforts to the next level, and in July One Nottingham agreed and awarded funding of £256,000 for each of the next three years. I believe that Drug Aware is the first of its kind in the UK, and is based on a theoretical model in the recent Government research programme, Blueprint, which looked at 23 secondary schools in the north-west and east midlands. Furthermore, the Government's new 10-year drug strategy, "Drugs: Protecting Families and Communities", sets the framework in which we will implement Drug Aware.

Drug Aware is also a multi-component drug and alcohol initiative and sets a standard of excellence for universal drug education for all pupils, and for targeted early intervention for pupils identified as "at risk". Drug Aware will ensure that every pupil in our city receives a comprehensive programme of universal drug education from the age of five to 16 that is appropriate to the age level; provide a brand that everybody in our city, including parents and the media, can identify with; ensure effective screening of drug abuse and risks of drug misuse among young people; provide targeted intervention for "at risk" pupils, including improved referral to specialist services and interventions within the school by trained staff; engage parents much more fully in both policy making and drugs education, and develop closer partnership working with communities and among the police, police community support officers, wardens and local alcohol retailers.

By extending the parameters of drugs education outside the school setting, Drug Aware will facilitate a more cohesive early intervention response embedded within families and communities, which should help maximise its impact. Drug Aware goes further than Blueprint by providing earlier identification of vulnerable young people and better targeted interventions for vulnerable and "at risk" groups. Once a school has met all the required standards, it will receive the Drug Aware award. That standard has to be sustained by the school and its community on a long-term basis and be subject to ongoing assessment and review by the healthy schools team. The ambition in my city is that Drug Aware, across all schools, will result in every pupil in the city receiving a comprehensive universal drug education programme from the age of five to 16, and effective targeted early intervention for those in need. That is some ambition, but we will realise it over the next three years.

Graham Stringer (Manchester, Blackley) (Lab): I am grateful to my hon. Friend, who is making many sensible and intelligent points. However, does he not think that the programme that he is supporting will find it much more difficult to be effective and successful while fighting against a culture in the chattering classes that accepts the taking of coke at dinner parties and a judicial system that allows pop stars to get away with taking very hard drugs with impunity?

Mr. Allen: My hon. Friend makes a serious and sensible point, and speaks from his experience as a council leader in a big city. It does not help if role models of the wrong sort continue to make the bad headlines to which he referred. We are trying to change the minds of young people, particularly those from homes where parenting standards might not be of the highest level—incidentally, that is another aspect that the early intervention programme in Nottingham is trying to tackle—and provide them with the right

foundations so that they can say no to drugs and drink abuse. However, we are not helped when those youngsters see people on television and in the newspapers providing different, poorer examples.

In order to make the initiative work, however, we need to embed our Drug Aware programme in schools. In order to achieve Drug Aware status, our schools and their communities are required to meet set criteria consisting of five components: first, in schools, targeted early interventions are to be provided through four educational link workers and referrals to specialist services, including the identification and support of children affected by parental drug and alcohol abuse; the implementation of a specific drug education scheme of work; local assessment of young people through the Engage drugs project to identify substance use issues and targeted interventions; and Drug Aware, which will identify the external providers most effective at engaging with young people on substance abuse for schools to select from. Secondly, parents have a role, too. We intend to ensure that schools provide parent training sessions and workshops; that parents are fully involved in setting drug and alcohol policy through task groups; and that the appropriate literature is available to parents.

Thirdly, the media need to be a part of this—and they will be—and we hope that they will celebrate schools that achieve the Drug Aware award. The Minister will know of the excellent work done by the *Nottingham Evening Post* in our own locality in publicising the Dare scheme, which is a very important local drug education scheme. We hope that the profile achieved by Dare can be continued through the Drug Aware award. Fourthly, within the community, each school must be actively involved in devising local drugs and alcohol campaigns, graduations for each year of drugs curriculum completed and out-of-school diversionary activities. Finally, on policy, we must involve young people, parents, schools, local retailers and the police, all of whom should, and will, be consulted by the CDP through policy-setting task groups both inside and outside the classroom.

What can be learned from our experience? In pioneering Drug Aware education in an early intervention context, I hope that a number of lessons will be learned. Drug education must be part of a wider strategy. Drug problems are often the result of multiple disadvantages, including those experienced by individuals who are part of "at risk" families, especially where parents or siblings are drug abusers; truanting and offending; living in neighbourhoods where drugs are readily available; self-medicating to alleviate an unhappy home life; and physical or emotional abuse. At the core of any effective prevention or intervention strategy for problem drug use must be a strong commitment to tackle its causes and context, which is why our educational approach fits into the early intervention package that we are pioneering in the city of Nottingham. It will develop the social and emotional capabilities to tackle the underlying causes of the intergenerational cycle that manifests itself in so many symptoms, such as drug and drink abuse, teenage pregnancy and low educational attainment, that afflict constituencies such as mine.

Dr. Brian Iddon (Bolton, South-East) (Lab): I am pleased that my hon. Friend has referred to alcohol and drug education, but tobacco appears to be missing from the Nottingham education package—perhaps I am wrong to assume that that is the case. Tobacco is the first point of addiction for many young people; is it included in the package?

Mr. Allen: There is a limit to what can be covered in one debate, and I do not wish to run over time. However, I should like to reassure my hon. Friend that in pursuing an early-intervention package, One Nottingham funds several anti-tobacco initiatives, including efforts to prevent people from smoking. I have some notes on the alcohol part of the drug and alcohol awareness strategy, but I have had to skip over them rather quickly. However, both those addictive substances are definitely on the agenda, and they are being covered.

Another issue that others could learn about from Nottingham is collaborative working. Partnership is a much abused word, but I hope that we in Nottingham have proved that community involvement, partnerships and collaborative working—whichever phrase one likes to use—are not just add-ons that are nice to have, but are essential. Just as we have said that crime is too important to be left to the police, so drug education and the tackling of drug problems are too important to be left to enforcement or to the health services. This issue is everyone's problem, and I hope that we show that in what we do locally.

We need to ensure that substance misuse training is embedded in all mainstream services, so that everyone has the right set of skills. The Drug Aware award is a fine example of something encompassing all our local partners—the local NHS, the city council, criminal justice agencies, the alcohol industry, trading standards, children's services, the fire service, both of Nottingham's universities and the Nottingham business improvement district. A vast array of people is committed to making this policy work.

Data tracking is another important issue that One Nottingham and the Drug Aware effort will highlight. We need more localised and up-to-date data collection if the early intervention package is to be effective, not least on drug misuse and teenage pregnancy. Drug misuse trends, patterns and hotspots are identified through data collection and fed back to partner agencies through the crime and drugs partnership's tackling violent crime group. In addition, a new data collection system has been introduced at our hospital's accident and emergency department to collect data on attendances for assault to help the CDP and police to identify hot spots for alcohol-related violent crime in particular and to enhance the intelligence base for enforcement action.

However, the CDP has encountered data-tracking obstacles in its work at a local level. We have repeatedly had to make do with national statistics from general household and national alcohol consumption surveys, for example. That gap in local data sources means that it is more difficult to develop a localised, let alone personalised, solution to the problem. Of course, there must be safeguards, but there must also be a greater commitment to putting data to work at regional and local levels. I have asked the Minister to consider establishing a troubleshooting unit at national level to cut through some of the unintended consequences, misapplication and mythology around data protection, which might become every bureaucracy's favourite excuse if we are not careful.

[Mr. Allen]

We must develop 11 to 16-year-olds' key social and emotional capabilities as a backdrop to tackling symptoms such as drug and alcohol abuse, low educational attainment and high levels of antisocial behaviour and teenage pregnancy. The Home Office must reach out to the Department for Children, Schools and Families and make a strong case for a statutory requirement on all schools to provide Life Skills 11-16, including modules on drug abuse and teenage pregnancy, and that should be covered in Ofsted assessments of schools' performance. I am committed to trying that in my constituency, and I hope that the local strategic partnership, One Nottingham, will consider funding such a proposal throughout our city.

Local entrepreneurship, however, is no substitute for national policy led by a committed Minister. In addition, there must be a clear Government commitment to building drug education into mainstream teacher training, through both initial teacher training and continuing professional development. Finally, there must be consistent resources for universal drug education. Locally, One Nottingham is funding the Drug Aware award for three years; when it has proved itself, it will be taken over by mainstream providers. Nationally, Government must insist that every locality does something similar. Local agencies could easily fund this if a Minister made a case to the Treasury proposing that they keep half the proceeds of every drug rehab place saved. Treasury rules and civilisation as we know it might fall apart at such a suggestion, but let us incentivise people to invest in education, rather than pay the massive continuing costs of rehabilitating a smaller number of individuals.

In conclusion, we in Nottingham have worked with the grain of Government thinking in bringing forward our Drug Aware policy, which we believe is a state-of-the-art effort within the United Kingdom. The Government now need to look at the plethora of schemes nationwide and promote a model drug education scheme that can be adapted for use in every part of the UK. Nottingham's Drug Aware programme might be the forerunner of such a scheme. If the Minister, my friend, sets that guidance rolling in his last act as a junior Minister, he will save billions of pounds and thousands of wasted lives, and will have the understanding and thanks of every parent in the land.

9.56 am

Bob Spink (Castle Point) (UKIP): It is a pleasure to follow the hon. Member for Nottingham, North (Mr. Allen). He spoke about the part that the statutory sector—schools and police—can play in increasing drug awareness. His contribution was characteristically calm, almost forensic at times, and he showed a lot of compassion and common sense, as is his usual manner. I congratulate him on bringing this important subject to the House so soon after its return from recess.

I want to talk about partnership working, which he mentioned, and the valuable part that the voluntary sector can play in this issue. The Minister will not be surprised to hear that I also want to discuss funding of the voluntary sector. Thundersley Congregational church, in my constituency, is a large and fast-growing, fairly evangelical church that has an honourable history of doing outreach work on drug awareness, tobacco and alcohol, and bad behaviour on the streets. It uses a bus called the Bar-N-Bus. I went out with that bus 15 years ago, as it went around Southend and Canvey sea fronts, providing a safe haven for kids where we could talk to them, provide them with alternative diversionary activities, find out what their problems were and help them. The church has been doing excellent work locally for many years.

Richard Keeler and Ian Miles of that church recently came to one of my advice surgeries and told me that they are running a scheme in which they visit local schools and teach kids about drugs. I do not want to go into the matter too deeply, but one of those guys has extremely close knowledge of drugs and the devastation that they can wreak on a young life. He is doing superb work, and the kids will really listen to him, because he has something to say. He has enormous energy and that special knowledge—they are guided by their Christian ideals. I should make it clear that I am not a member of Thundersley Congregational church. They understand, in a way that many parents and some MPs do not—indeed, I did not, until recently—the pressure that kids today are under regarding drugs. I shall come to that in a moment, and to kids' attitude to drugs. Those pressures are massive.

Richard and Ian wanted £550 to buy a drug awareness kit, a drug demonstration box and some DVDs, so that they could use them in schools and make their activity there more effective. I wrote to the Minister and tabled early-day motion 1283, which is in the Library pack for today's debate. The EDM states that

"such charities receive little or no funding from Government sources; and calls on the Government to fund preventative drugs programmes such as that provided by Thundersley Congregational Church."

I am sorry to say that no Members taking part in the debate signed the early-day motion, but that is probably because it was localised in respect of Thundersley Congregational church.

I got nowhere with obtaining the cash, so I got off my butt and held for the church yet another charity event—the third in two years—to raise money to buy the kit. We had a curry night at the Tandoori Parlour, a superb Indian restaurant, on Hart road, and we raised £1,100 clear profit, so we were able to buy the kit and to do more as well. The kit is now in good use. The drug display box and DVDs were obtained from the south-east Essex drugs partnership, headed by Ray Hatter, a professional and helpful guy who could do with more money. If he had more money, he could do more work, prevent more human suffering and save on costs to society in the long run. I see that the Minister is making notes; Hatter is spelt H-A-T-T-E-R. Actually, we are lucky to have such a superb Minister with us this morning, and I congratulate him on his promotion, which is long overdue. He is one of the best, most caring and able-to-listen Ministers in the House, and on this sensitive area of drugs and preventive measures he has always done all that he can.

As I speak, Richard and Ian are at the Deanes school, speaking to a year 9 group of 13-year-olds and taking a lesson on drugs. Yesterday, they were doing drug awareness work at a secondary school in my constituency, where they got a superb response from the youngsters. When a class of about 30 children was asked whether anyone had been offered drugs, taken drugs or been aware of anybody in their peer group who

had taken drugs, about 50 per cent. put their hands up, and some gave examples. It is a massive problem in my locality, which is relatively crime-free and clean. A few kids go through problems growing up, but broadly speaking, in my constituency the young people are fantastic and decent.

I warmly congratulate Thundersley Congregational church, and Richard and Ian in particular, on what they are doing. Clearly, Richard and Ian could not do their work without the support of the whole church, and the Minister knows where I am leading now: just a small sum to support voluntary organisations could be very effective. I am sure that the message will get back to the Home Office. We need more flexibility to provide small grants, because £500 here or £500 there—used properly, particularly where people have specific knowledge of the disaster that drugs can cause families and society—could be very effective.

Finally, I shall make three brief points. First, the hon. Member for Bolton, South-East (Dr. Iddon) rightly raised the issue of smoking, particularly among teenage girls, which is not a problem that is going away. We must tackle it and address it more firmly if we can, particularly through parents, schools and education. Secondly, we need more residential drug rehabilitation places to allow people who are afflicted by drugs to change their lives. We will not do so without dramatically increasing the number of such places, and it would be a very cost-effective use of money. I see the Minister nodding. Thirdly, we need tougher action both to stop drugs getting into prisons and to deal with prisoners who are on drugs and end their addiction; otherwise, they will simply be in a revolving door. I know that the Minister agrees.

I congratulate the Minister and the Government on what they have done in respect of drugs over the past few years, because they have been moving in the right direction. I am not being picky; I just wish that we had a little more flexibility to divert some of the funds to voluntary organisations.

10.5 am

Tom Brake (Carshalton and Wallington) (LD): I, too, congratulate the Minister on his promotion, but I shall keep my congratulations short, otherwise his head may swell from all the praise that he has received, and I do not want him to disappoint us when he responds. I also congratulate the hon. Member for Nottingham, North (Mr. Allen) on making a compelling case for early intervention. No doubt he could supply figures proving that investment in early-years education has a long-term benefit but, equally, the investment that he described will pay dividends in the longer term. Clearly, he has drawn extensively on his wide experience in Nottingham and of One Nottingham, and he has highlighted the importance of partnership. Partnership—the local authority working with the police, the voluntary sector or the health service locally—is the way to tackle the issue, whether it is drugs or, for instance, obesity, because all local bodies must be involved. We will hear when the Minister responds whether he thinks that the balance between early intervention and rehabilitation is right.

I also congratulate the hon. Member for Castle Point (Bob Spink) on drawing attention to the important role that the voluntary sector has to play in tackling the issue. Clearly, Government and health service resources are limited and likely to become more constrained in the next few years, so as we face difficult financial times, the voluntary sector's role is likely to grow rather than to shrink.

I hope that all Members agree that, currently, the approach to tackling drugs and alcohol abuse is not working as effectively as it could. It neither deters people from drug use or excessive alcohol consumption nor ensures effective education and treatment. This is in spite of the fact that, according to the European Monitoring Centre for Drugs and Drug Addiction, the UK has one of the highest levels of drug use in Europe and one of the most punitive approaches towards drugs. The statistics, some of which the hon. Member for Castle Point referred to, are quite horrendous: half of all 16-year-olds have tried an illegal drug; one third of 16 to 24-year-olds have used an illegal drug in the past year; there are 270,000 problem drug users in the UK; and the average age of heroin users is going down in the UK, as opposed to up in other countries.

If anyone is in any doubt about the cost involved, I recommend doing what I have done in the past couple of months, which is to go to my local magistrates court, sit alongside first, the magistrates, to see how they deal with cases, and then, the Crown Prosecution Service prosecutors, to look at the cases before the courts and to make a mental note of how many involved drugs or alcohol. The overwhelming majority of cases that I saw and listened to involved drugs or alcohol as a major component of, or contributor to, the offences under discussion.

The Government have taken some positive steps. We welcome their approach in "Drugs: Protecting Families and Communities", the 10-year strategy with an action plan to tackle the first three years, and its focus on mainstreaming prevention. That is what we are talking about today: education. We support most of what the Government are doing, as do other organisations.

I have just mentioned the European Monitoring Centre for Drugs and Drug Addiction. It described the UK approach positively. It looks across Europe to find how different countries are tackling drugs and welcomes the fact that there is a focus on better education and intervention for young people and families, especially those who are most at risk, which means targeting those who need help the most. It commends programmes such as FRANK.

However, on schools—this was a point made earlier by the hon. Member for Nottingham, North—the centre goes on to say:

> "Throughout most of the United Kingdom, drug prevention is part of the national curriculum and most schools have a drug education policy and guidelines on dealing with drug incidents."

One must ask, "Why not all schools?" as opposed to "most" schools. If some schools are not willing to engage in that process, perhaps there needs to be a statutory requirement so that they do engage.

It is also very clear that young people want this education. Recently, I have had discussions with my youth parliament, the Sutton Youth Parliament, which I meet on a regular basis. It is about to conduct a survey of local school pupils to find out what they think about drug and alcohol education, as well as sex education, in schools. I am sure that those pupils will want more information on drugs rather than less and that they will want a consistency of education provided across all

[Tom Brake]

schools in the borough, rather than a pick-and-mix approach that leaves some children very vulnerable because they are not receiving the level of education that they need.

The rather patchy approach in schools, which the European Monitoring Centre for Drugs and Drug Addiction has identified, could equally have been highlighted with regard to prisons. The latest annual report by the chief inspector of prisons, which was published in January, examined substance use in prisons. It said:

"Substance use strategies were very variable. Where there was a regular needs analysis, services were well coordinated and comprehensive. Conversely, where there was not, services tended to be fragmented and failed to meet prisoners' needs."

The report went on to say that the prisons not doing the needs analysis

"surprisingly, had none"—

that is, no programmes—

"or had programmes that did not meet the needs of the whole population."

The report also said:

"Many prisons had insufficient resources for counselling, referral, assessment and throughcare… teams".

Finally, it said:

"We came across only one example of an integrated alcohol strategy, developed in partnership with the community, which was on the Isle of Wight."

Clearly, education provision in prisons is patchy at the moment, and the Government need to address that. I believe that the 10-year strategy is trying to improve the level of provision, and I hope that the strategy will ensure that there is much more consistency in the education and support available in prisons.

We support other initiatives that are being promoted, including the national tackling drugs week. I wonder if the Minister is in a position to say whether any assessment has been carried out of the effectiveness of that campaign and how many partnerships were participating in it. Furthermore, can he demonstrate that it is an initiative that is making a very positive contribution, perhaps in raising the profile of best practice in tackling drugs?

I have already referred to FRANK, the Government's national drug awareness campaign. Since its launch, FRANK has had some significant successes. For example, it has responded to 740,000 telephone calls and just under 50,000 e-mails, and its website has received a considerable number of hits. Again, however, although the raw statistics are impressive, I would like to hear from the Minister whether any comparisons have been made between FRANK and other types of information systems, to establish whether we are achieving best value in relation to those systems and delivering the best possible communication and information services for people who wish to access information about drugs, whether they are young people themselves or, indeed, their parents.

From a Liberal Democrat point of view, I would like to make a couple more points about where we think there is perhaps a need for greater focus. Certainly we would like the Government's policy to be evidence-based. We disagree with the Government about their attitude to the Advisory Council on the Misuse of Drugs. It is a body with experts in a range of fields who are examining the issue of drugs, hopefully in an impartial, independent and professional way. Those experts are coming up with conclusions that we think it would be appropriate for the Government to take on board, but in fact the Government are being selective about which of those conclusions they take on board and which ones they dismiss. It is wrong for a Government not to ensure that the actions they are taking are very much evidence-based, and the evidence that that body has put forward—for instance in relation to cannabis and what it thinks the classification of cannabis should be—is quite clear.

Drug misuse is very much a public health issue. The focus should be on education, as the hon. Member for Nottingham, North said. However, if the education process has not worked or if it is too late in the day for education, rehabilitation is required. The police resources that we have available to bring to bear on this issue should be focused very much on dealers and organised crime. The law must be credible and it must be tough.

I must use this opportunity to raise what is perhaps a parochial issue, although I suspect that there are many Members—if not among those who are here today, then among Members elsewhere in the House—who are affected by it, and it is that of head shops. For those Members who are not in the know, those are shops that sell drugs paraphernalia, and there a number of them up and down the country. There is one in my constituency, although I understand it is going to shut temporarily so that it can sell fireworks instead. I am not saying that selling fireworks is an improvement, but in any case it will revert to being a head shop.

There is clearly a huge inconsistency when cannabis is illegal—we can argue about the classification of it, but it is an illegal drug—but there are shops that are in the business of promoting and selling the materials that people need to consume it. From an educational point of view, I am very worried that we are saying to the children who go to the primary school just around the corner from that shop or those who go to the secondary school just down the road from it, "Drugs are something you should avoid" and "Drugs are bad" and so on, but they can then walk round the corner and see a shop—or they can see into it, because the door is always left open—and, because there is nothing illegal about what the shop is doing, they can then go in. There is no age limit on entering that shop, so a 10-year-old can go in and could buy anything on display. There is thus a huge inconsistency and it risks undoing all the good educational work in this sphere: we say drugs are bad, but people can go around the corner and see a shop that is selling what they need to enable them to consume drugs. That inconsistency must be cleared up.

I have had a meeting with Tim Hollis, the chief constable who is leading on this issue, and I will seek a meeting with the Home Office official who is dealing with the legal side—the legislation to establish whether it is possible, either under existing legislation or, if necessary, through new legislation, to address this matter.

Mr. Allen: I am following the hon. Gentleman's arguments very closely. I would just like to go back, if I may, to the issues of assessment and evaluation. They take place at two levels. First, there is evaluation of what is done locally, and it is even more important that that evaluation is scientific and clear when there is a plethora of schemes operating in lots of different localities. I therefore hope that the Home Office might consider

finding a way it could help people to evaluate effectively how the schemes are being implemented. In particular, if people are pioneering a scheme, as we are in Nottingham, I hope that the Home Office will consider helping at that local level.

Secondly, there is assessment of what policies are effective. I hope that the hon. Gentleman will consider joining those of us who feel that the situation here is rather like that which existed in the United States, where there were more than 600 different policies on drug education, bullying, early intervention and so on. The US Department of Justice then asked a university to rank those policies in order so that there would be a small group of policies, so that people who wished to pick up on those policies and do something effective could go to one source and have a national policy assessment centre to find which policies were most effective. I think that all parties could agree on having a similar source of information at the national level here—one which recommended the best of all the policies being experimented with.

Tom Brake: I thank the hon. Gentleman for his intervention and entirely agree with him. It is indeed difficult for organisations to assess the range and variety of schemes in operation, which run from the individual who operates a scheme on a shoestring—a few thousand pounds a year—through to large national programmes that are funded with tens of millions of pounds. There is a need for assessment, and the same need has been identified in respect of projects that deal with knife crime. Again, a similar range of projects exists, but because there has been no real independent assessment of them, we are unable to judge which of them represent value for money. I agree entirely with the hon. Gentleman.

I shall bring my remarks to a conclusion in the next minute or so. I have focused much of what I have said on drugs as opposed to alcohol, but many of the concerns about drugs education apply equally to alcohol, particularly alcohol education in schools or, more precisely, the lack of any real education on the subject. There are the same concerns about the law and its credibility. That supermarkets are allowed to sell alcohol as a loss leader—below cost price—must change, and I hope that the Government will ensure that that happens swiftly.

There are solutions out there. I do not know whether the hon. Gentleman is familiar with the St. Neots project in Cambridgeshire, which involves everybody, including schools and off-licences, in a real partnership to tackle the alcohol problem. The partnership has resulted in a massive fall in problems associated with alcohol.

Progress is being made on tackling drugs and alcohol abuse, but the Minister must respond to the challenge from the hon. Member for Nottingham, North about early intervention being neglected and rehabilitation being wrongly prioritised. We want the Minister to set out an action plan that will address the patchy drugs and alcohol education in our schools and prisons. If he can do so convincingly, he will undoubtedly receive our support.

10.22 am

James Brokenshire (Hornchurch) (Con): I congratulate the hon. Member for Nottingham, North (Mr. Allen) on securing this informative and important debate on anti-drug awareness. I also congratulate him on the publication, "Early Intervention: Good Parents, Great Kids, Better Citizens", which he co-authored with my right hon. Friend the Member for Chingford and Woodford Green (Mr. Duncan Smith) and which makes some provocative points about the direction of policy. It has certainly provided me with interesting bed-time reading and some thoughts and ideas on the emphasis that might, and should, be made, and on where things are going wrong regarding the direction of policy from the centre. We must look at the importance of local initiatives, and how the arrangement between the two could be more effectively structured. I shall deal with that in further detail.

I congratulate the Minister on his promotion to the new challenges of policing and security. In all my dealings with him, he has always been prepared to listen to, if not agree with, the points that I have made to him. I have always found the way in which he has conducted ministerial business fair-minded and honourable. I wish him well, as I suspect that those qualities will be well tested in his new role and function.

The emphasis of today's debate is very much on prevention and the need to address intergenerational issues, which are important, as is the stress on partnership working, however we define it. Much good work is taking place in communities up and down the country. It is important to recognise and appreciate that, but the hon. Member for Nottingham, North made an important point about the need for informed choices and better assessment so that local communities and authorities that seek to commission services or assess their policies have a much better toolkit, framework and guide for assessing their existing approaches and approaches have proved successful elsewhere.

We cannot prescribe some top-down solution. We cannot say, "We prescribe from the centre that this will happen, and therefore it will work in your community." It is perhaps that emphasis that has been the mistake in recent years. We must recognise that the effectiveness of a solution in one community may not necessarily and automatically be replicated in other communities. There is a need for localisation. At the same time, we must recognise the things that are working and consider why and how they are working and the lessons and messages from them.

This is a difficult area, and the cost is great, not just to the individual but to society. The illicit drug market is estimated at between £4 billion and £6.6 billion. The use of class A drugs alone generates an estimated £15 billion in economic and social costs, which is why the emphasis of today's debate on prevention is important. However, one cannot look at it in isolation. The emphasis should not be just on prevention but on enforcement and rehabilitation as well. The question is the balance to be struck between each of those strands.

I have some sympathy with what the hon. Member for Nottingham, North said about reorienting things towards earlier intervention to try to break some of the challenging problems perpetuated from one generation to the next, and about supporting parents in their role. Parents are key if we are to address the issues that we have debated and discussed today. We must support them properly and give them the information that they need, but, equally, there must be a focus on rehabilitation. It is unacceptable that, on the latest figures, the Government's drug treatment programmes result in only

[James Brokenshire]

3 per cent. of people leaving those treatment programmes drug-free. Drug users who seek treatment and services say that they want to be drug-free: they want to be able to abstain and to get support, which is why the emphasis of policy must move in that direction and not simply be badged as harm reduction, which in many ways merely means holding people in addiction by switching them from an illegal substance to a legal one to modify or control their behaviour. It simply cannot be right to hold people in addiction by, for example, keeping them on methadone. The cost of such prescriptions is rising every year.

Early intervention is important, because the age at which young children now use alcohol and illicit drugs is shocking. It is getting lower and lower, and that is one of the most disturbing trends that we see. Seventeen per cent. of schoolchildren aged between 11 and 15 have used an illegal drug in the past year. We are seeing an increase in prescriptions for anti-psychotic drugs among teenagers, and class A drug use has not really budged at all in the 16-to-24 age group. Another important issue is binge drinking and alcohol. The hon. Member for Nottingham, North, my right hon. Friend the Member for Chingford and Woodford Green, and the Centre for Social Justice highlighted the effects of binge drinking among 10 and 11-year-olds, who admit going out and getting drunk on a regular basis. Younger and younger children are doing so, which is why messaging is so important. I heard what the hon. Member for Carshalton and Wallington (Tom Brake) said about the Advisory Council on the Misuse of Drugs, but we cannot simply delegate responsibility to the ACMD.

There is a wider perspective on all this, which is why it was right to seek the reclassification of cannabis. I hope that the Minister will update us on what progress has been made on implementation. I disagree with the potential reclassification of ecstasy, which would downgrade it, because that would send out strong messages suggesting that it is somehow a more acceptable drug, whatever evidence the Advisory Council on the Misuse of Drugs may bring to bear on that issue.

I draw the Minister's attention to FRANK, which is a key part of the Government's 10-year prevention strategy, which was launched in 2003. FRANK provides information, advice and guidance to young people in relation to drugs. However, I question some of the approaches that are being taken. For example, the FRANK website says some things about the effects of cannabis, but there is no mention of psychotic episodes, paranoia and all those mental health issues that are attached to cannabis. The information that is provided therefore needs to be clearer and much more robust. Prevention has to be the watchword in all of this. I appreciate that early intervention goes much further than prevention, but prevention must still be at the forefront in the approaches taken on information and education. We bandy around the words, "harm reduction", but I am entirely unconvinced that people understand what that term means. Prevention is a much more understandable concept in respect of what we are trying to achieve in all this and it is a better form of road-marking to signpost the direction of preventive policy on drugs.

Will the Minister spell out how he sees FRANK's development as a resource? He will be aware that the budget for FRANK has been cut by about one third in the current financial year and is due to be reduced by a further £1 million in the next financial year. The Government say that they are committed to the initiative, but how is that commitment represented when funding is being significantly reduced in the current year and in the year ahead?

I am pleased that the hon. Member for Bolton, South-East (Dr. Iddon) is in the Chamber, because I paid an interesting visit to the Bolton drug treatment service in his constituency. I was interested to hear about the approach adopted by that service, particularly its use of outcome-based measures: in other words, looking at the results of things, rather than simply measuring inputs and box ticking, which, sadly, has been the approach taken by many services, not just those dealing with drugs, but other public services around the country. One of the things that struck me—the people working there were rightly proud of it—was that information on cocaine use was being put across to provide better signposts to treatment for people addicted to it. I am sure that the hon. Member for Bolton, South-East is aware of the problems locally in respect of mixing cocaine and alcohol, and knows about some of the tragic deaths resulting from polyaddiction—the mixture of those two substances together—and what that has meant for so many people. He will also be aware of the question of how to get people into treatment. The Bolton drug treatment service has effectively set up its own website, because those involved thought that the information was not out there on the effects of cocaine and what might happen if cocaine is combined with alcohol. I congratulate those involved on that initiative.

Dr. Iddon: I am aware of the hon. Gentleman's visit to Bolton, and I thank him for informing me that he was coming. I have had a full report of his visit. However, while he was there, did the Bolton drug and alcohol team explain Project 360, which seeks early intervention for children from broken families, and tries to weld those families back together again and do something about the young person's abuse of substances?

James Brokenshire: Yes, it did. I am grateful to the hon. Gentleman for his intervention and for making that point clear. I was interested to see some of the good practice that that team is putting into effect through different strands of work. I welcome its approach on early intervention and its focus on abstinence-based rehabilitation, which is at the core of its work. There are a number of different strands of intervention. The team uses an outcome-based approach, which has led it down the route of early intervention to try to improve people's life chances. That further example of a practical approach supplements the examples in his own city given by the hon. Member for Nottingham, North in his opening speech.

I was surprised that the Bolton team felt that there was no information available publicly on cocaine. I should like to question the Minister about the approaches that have been taken, because there are large gaps in the provision allowing people to access services and signposting the way to treatment. That came through loud and clear from the Bolton drug treatment service: those involved thought that there was a lack of information, which prevented people from getting help, even when they wanted to go down that path.

We have heard a lot about education, and I agree with hon. Members that it is patchy at the moment. Parents are not a strong enough part of the process of education within schools; they need to be engaged much more. This theme comes through in the Government's 10-year strategy. I remain to be convinced about how that strategy will be implemented and what it will mean. Some of the materials and approaches that have been taken are somewhat confusing. They do not engage parents enough in the whole process, they do not equip them to deal with problems that they see at home and do not support them.

Tom Brake: The hon. Gentleman mentioned parents not being sufficiently involved, but does he agree that sometimes a small number of parents are actively working against detailed drugs and sex education programmes in schools?

James Brokenshire: I think that the hon. Gentleman has made a valid point. I visited the south-west last year and talked to some youth workers. I asked them why parents do not support their youngsters in getting treatment or better education. Sadly, one worker said—their reply summed it up for me—"Well, doing that and seeing their children doing better would make their lives even worse." That was a stark statement about how some communities, whatever the debate may be about, are quite broken. We need to look at early intervention and consider how we can break the intergenerational problems that have been highlighted this morning. However, that does not detract from the essential need to give support and information to parents who want to be good parents and want to see their children do better, while recognising that there is a small cohort who take the more negative view that has, sadly, been relayed to me and to the hon. Member for Carshalton and Wallington.

We have to put education in a wider perspective. I had the pleasure of visiting the St. Neots community alcohol partnership earlier this year, where I heard how education was being bound into the process. Talking to the kids who had been through the educational programmes, I saw how the process built links and brought together retailers, the police, trading standards agencies and drug awareness charities in a whole approach. That was a good lesson to learn. Certainly, I will monitor closely how that programme is rolled out. I hear that it is being expanded into other counties and other areas of the country. It is an interesting and important project to follow, enabling us to see how a community and partnership-based approach can be effective in reducing alcohol consumption and antisocial behaviour and the crime that goes with it.

In conclusion, anti-drug awareness approaches may be summed up in three words: prevention, in terms of focus; partnership, as an essential element of delivery in communities; and perspective, in terms of the wider social context in which they may sit and the other policies that they are intended to supplement as an overarching approach to reduce the harm of drugs and the crime that may lead from that. I was struck by a quote from the pamphlet by the hon. Member for Nottingham, North, which states that the early intervention objective is nothing less than an effort

"to replace a vicious cycle with a virtuous circle; to help every child become a capable and responsible parent who in turn will raise better children who themselves will learn, attain and raise functional families of their own."

That is a powerful message, which the hon. Gentleman expressed very well this morning. We shall certainly focus on implementation and the approaches that might give effect to the themes that he rightly identified as important in making a difference in this serious issue.

10.40 am

The Minister of State, Home Department (Mr. Vernon Coaker): It is a pleasure to serve under your chairmanship, Mrs. Anderson, during the first debate in Westminster Hall for a few weeks.

I thank all hon. Members and my hon. Friends who have taken part in this debate for their good wishes on my change of post—I hesitate to say promotion, being the sort of person that I am. I look forward to it, and my intention is to continue in the way in which I tried to conduct myself in my junior ministerial role. It is a great privilege, and I am aware of the responsibilities that come with the post. I am grateful for everyone's good wishes.

I congratulate my hon. Friend the Member for Nottingham, North (Mr. Allen) on securing the debate. He and I have been friends for a number of years, and his constituency is next to mine. During all that time he has pursued his agenda, and it is now everyone's agenda. The words "early intervention" are now used by everyone across the political spectrum. It would be remiss of me not to tell hon. Members here and those who will read our proceedings that my hon. Friend has gone on and on about early intervention since he was elected to Parliament 20-odd years ago. That opinion was unfashionable in many ways back then, and it shows that opinions that are unfashionable in one decade sometimes become fashionable. My hon. Friend has never wavered or changed his opinion on early intervention, and he deserves great credit for that. With others, he has forced the issue on to the agenda and has made policy makers, not only at national level but at local level, look to early intervention as one way of dealing with the problem that we want to do more about.

I also congratulate all those in Nottingham on their work under my hon. Friend's leadership as chair of One Nottingham, and that of Alan Given, Derek Stewart, Nottingham city council and the wider community safety partnership. We should carefully examine with my hon. Friend and his colleagues what is happening in Nottingham and evaluate it to see what difference it is making and how we can take that forward. I look forward very much to seeing what progress is made under Drug Aware—my hon. Friend and I were at the launch together—and how we can take it forward.

On a personal level, the point that my hon. Friend made about intergenerational change is fundamental. As many hon. Members know, in a previous existence I taught, and one of the worst experiences that I remember was of a young girl who was having problems with substance misuse. I had been teaching long enough to remember that I had tried to help her mother, who had also had problems with substance misuse when I was teaching her. It is easy to say that the problem is this or that, and that it is so-and-so's fault or someone else's fault, but it struck me at the time that whoever's fault it was, and whatever the issues and challenges for the system, the fact that that was the case reflected that,

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whatever our intentions and with the best will, we had failed because the same problems had carried on from one generation to another. We must do better.

My hon. Friend the Member for Bolton, South-East (Dr. Iddon) referred to tobacco, and I know that the Nottingham project deals not only with illegal drugs, but with the whole issue of alcohol and tobacco abuse through a process of education, as my hon. Friend said, and particularly the idea of empowering individuals with self-esteem and so on.

My hon. Friend the Member for Nottingham, North knows that the work in Nottingham is entirely consistent with the principles underpinning the Government's policies of effective co-ordination and education, and early intervention. It may help if I speak more broadly about education. Clearly, it is essential, but I believe that we have sometimes asked the wrong questions about drugs education. There is quite a lot of such education in schools, and I provided it when I taught personal and social education, which was a new subject then. The question is not, "Is there enough drugs education in schools?" but "What is effective drugs education, and what works and makes a difference?" Some of the current research by the Blueprint programme, my hon. Friend's evaluation and the comments from hon. Members here are beginning to answer that question. That provides a great deal more hope for the future than just arguing about the amount, and many teachers agree.

I refer my hon. Friend to the "Drug Education: An Entitlement for All" report to the Government by the advisory group on drugs and alcohol education in September 2008 on personal, social and health education, and teacher training. In their response the Government agreed to examine initial teacher training and the non-statutory nature of PSHE. We will conduct an independent review of PSHE, focusing on improved outcomes for children and young people, and on a statutory common core for PSHE. If we go to the heart of what my hon. Friend said—lots of other issues arose—I hope that, depending on the outcome of that review, we shall start to address the fundamental point. That review will be an important piece of work, to which we must all contribute if we want to move forward.

Tom Brake: Will the Minister clarify—if not now, in writing to all hon. Members present—whether the statutory core will refer or be applicable to all schools, regardless of their nature?

Mr. Coaker: If the hon. Gentleman means all ages, I understand that it will apply to all ages. If he means something else, perhaps he would intervene again.

Tom Brake: I mean the different nature of schools, whether faith schools, local education authority schools or any other sort of school.

Mr. Coaker: The hon. Gentleman knows that there are other governance arrangements for such schools, but if we get the review under way and it changes the statutory core for PSHE, it will influence all schools. He knows the different governance arrangements for different types of school.

My hon. Friend and other hon. Members, including the hon. Member for Hornchurch (James Brokenshire), raised issues of treatment, education and rehabilitation. All are important. Of course, education and early intervention treatment are fundamental, but treatment is also essential for people who have difficulties now, and we must deal with that. It is important in the treatment agenda that we have brought more people into treatment. However, when people are brought into treatment, the question changes; it is not why have people not been brought into treatment, but what is effective treatment. That question cannot be easily asked until people are brought into treatment. The Government are currently asking that question: what do we mean by effective treatment and what will actually work.

To some extent, I accept the point made by the hon. Member for Hornchurch: rehabilitation and treatment must include abstinence as one of the options available. It is not good enough for treatment simply to move people off illegal substances on to legal substances, such as methadone. I know that the hon. Gentleman has met lots of people and will have heard that, for many, methadone is a first, important step in stabilising their chaotic lives. However, we should not be saying that one particular course of action is appropriate for every individual. Treatment should be based on medical and health grounds, and health professionals should make a judgment about what treatment is effective for each individual. I agree with the hon. Gentleman: there must be greater recognition that abstinence and residential rehab needs to play a more important part in treatment. The hon. Member for Castle Point (Bob Spink) also said that.

James Brokenshire: My point was that the drug-free target should be a greater part of the goal of Government policy and the direction of treatment. Sadly, that has not been the case to the extent that it should and could have been. However, I recognise the point that the Minister has made about the use of methadone to lift people out of the circumstances that they are in. I am acutely aware that sex workers have provided a good example of how methadone can be used to provide a transition away from drugs. I hope he agrees that that should not be the end of the transition and that it is possible, and indeed imperative, to help people further and to ensure that they are addiction-free.

Mr. Coaker: I agree with the hon. Gentleman's point. However, sometimes the debate on drug addiction is polarised between those who think that abstinence should be the only treatment available and those who almost say that abstinence should be ignored. I have tried to say that treatment should be based on the individual's clinical need and what works for them. Abstinence has been absent from the available treatment options and more should be done in relation to that, but for a considerable number of people, the expectation of an immediate move from addiction to legal or illegal drugs to being drug-free is simply not based in the real world.

On a couple of the points made by my hon. Friend the Member for Nottingham, North, we will, of course, consider data protection—I will undertake to do so tomorrow. We will also consider the issue of trying to get more local information. I will raise that matter and look into it for him. We have a close relationship with the Department for Children, Schools and Families and

I think my hon. Friend would agree with that in relation to some of the points I have made. I accept that there is an issue regarding data and I will look into that for my hon. Friend. If it is helpful, I will write to him and copy that correspondence to other hon. Members who have taken part in this debate.

The hon. Member for Castle Point made some interesting points. I cannot give him a commitment to fund his voluntary group, but such groups are tremendously important. The work that many faith organisations, churches, mosques and so on do across the country is vital. Sometimes the voluntary sector can reach people that the statutory agencies cannot get to. I commend the work of Mr. Hatter and his colleague. Indeed, I commend the work of all the people who work in the voluntary sector in relation to this issue, both in the hon. Gentleman's constituency and in constituencies across the country.

Bob Spink: The Minister mentioned the quality of education. We know that the target youngsters, to whom we want to get the message across, are not very receptive. They are going through hormonal and attitudinal changes during the difficult teenage years when they grow up and we all understand that. Teachers and parents are often not as effective in getting the message across to that group of children as they could be. Mr. Hatter is probably not a reformed drug user, but I know a reformed drug user who had to make the decision either to die or to change his life. He now teaches and speaks to children about his experiences and is extremely effective in getting his message across. The children listen to him because he has been there and he can tell them what it is really like. Is there any way in which we can encourage more people who have been rehabilitated to teach our children about this issue?

Mr. Coaker: I agree with the hon. Gentleman's intervention. The problem of drugs can be more effectively dealt with by people who have been on the other side of the fence, as it were—and that is the case in relation to a range of social problems, not just substance misuse. It is important to remember that.

On the points about prisons that the hon. Gentleman and a number of other hon. Members made, we are increasing the amount of money spent on prison education during the next three years by £70 million. That is a considerable and welcomed increase in investment.

On the points raised by the hon. Member for Carshalton and Wallington (Tom Brake), I have talked about the balance between early intervention, education and enforcement, but it is not a matter of making a choice between those; we need to consider a menu of options. A health decision needs to be made about what is most appropriate for an individual.

On national tackling drugs week, as with all the work we do, we are continually evaluating what is effective and what works best. The hon. Gentleman will know that the research project Blueprint is looking into the effectiveness of drugs education and he might be interested to know that we expect to publish those findings in the next month. That research will be helpful.

We greatly value the advice that the Advisory Council on the Misuse of Drugs gives the Government, but if the hon. Gentleman was in my place and was the Minister with responsibility for the issue he would, in the end, with his colleagues in Government, be charged with the responsibility of making a decision. We get advice—all Governments get advice all the time—but in the end we have to make the decision. The hon. Member for Hornchurch was right about the advice that we received from the ACMD, but we received other advice, not least from the police and service users themselves who said other things. We reflected on and balanced that advice, and in the end made the decision that we have.

The hon. Gentleman asked for an update on cannabis. In the near future, we will introduce legislation on cannabis and we are trying to ensure that the reclassification takes place as quickly as possible. We hope that legislation—a statutory instrument—will be introduced in due course and in the not too distant future.

We are considering the status of head shops and, if necessary, will introduce legislation on that. I absolutely agree with the points made by the hon. Member for Carshalton and Wallington. I am told that, legally, action is difficult, but we are considering the matter to try to find a way forward. We have funded police guidance and have considered the policing of head shops. Work is ongoing in that respect.

I think I have dealt with most of the points raised by the hon. Gentleman, apart from those relating to the lack of information. Sometimes there has been an issue concerning a lack of information and how the information about the help available gets to people. We need to ensure that we tackle that. In some areas that is not a problem, but in others it is. We are trying to ensure that information is made available to people across the country and where it is needed, so that they can access the necessary help and treatment.

The involvement of parents is clearly crucial to dealing with drugs. I would like to dispel one myth—again, my hon. Friend the Member for Nottingham, North taught me this. There is an issue with parents who simply do not care and we need to take action on that, but there is also an issue with parents who care very much, but who sometimes themselves struggle to know what they should be doing with their children. We need to ensure that we recognise their needs and help those parents too.

On the national picture, the principles adopted in Nottingham that have been outlined by my hon. Friend in the excellent debate he has initiated are very much the principles that we want to adopt nationally. Let me put the matter in context: overall drug use by people in England and Wales, including by young people, has fallen to its lowest level since the British crime survey began measurement of self-reported drug misuse. The number of people in contact with drug treatment has increased by 130 per cent. and since the start of the drug intervention programme, acquisitive crime has fallen by 22 per cent. There are, no doubt, issues that we have to discuss, but changes and improvements are being made.

Janet Anderson (in the Chair): Order. We now come to the debate on the regional spatial strategy for the south-west, and obviously there is a lot of interest in the debate from hon. Members. Some have indicated to me in advance that they would like to participate, and I will call them first.

Regional Spatial Strategy (South West)

11 am

Steve Webb (Northavon) (LD): The regional spatial strategy for the south-west is an issue of prime importance for not only my constituents but those of many hon. Members here today, who I suspect were brought here by the title of the debate, rather than the prospect of my oratory—[HON. MEMBERS: "No!"]—although I am open to correction on that point.

We discussed the draft RSS for the south-west in this very Chamber in January, and the previous but one Housing Minister, who is now the Chief Secretary to the Treasury, assured us that the Secretary of State's comments on the panel's report would be available in the spring. We anticipated that that would perhaps be around Easter and that there would then be three months of rigorous parliamentary scrutiny of this fundamental and very detailed document, but the weeks and months went by and "spring" turned out to be 22 July. In other words, the Secretary of State's conclusions were issued to us on the final day on which the House sat, and a 13-week consultation period commenced with 11 weeks of parliamentary recess. I put it to the Minister that that does not show respect for the parliamentary process.

Today's debate could provide the only opportunity that all hon. Members from the south-west have to express their views in Parliament on the RSS. Although many of the issues are matters for our colleagues in local government, there are clearly issues of regional and national strategic importance that we, as representatives of our communities, should be able to speak our minds about, but the Government have made that exceptionally difficult for us. Were it not for the generosity of Mr. Speaker, we would not even be having this debate today. That is totally unacceptable.

That sums up the problem with the RSS: it is incredibly top-down. Earlier this year, the Department for Communities and Local Government produced a report called—I ask hon. Members please not to laugh—"Communities in control: real people, real power". If we had read out that title at any of the five public meetings I have had on the issue in my constituency, there would have been a hollow laugh, because there is no sense that real people have real power in this process. It is an entirely top-down process.

There is a consultation. We are approaching the end of it. To respond on the official form in the official language, people can go to the website. I have been encouraging many of my constituents to go to the website to say what they think. One of them said:

"I thought you'd like to know about the difficulties I have experienced registering on the GOSW"—

Government office for the south-west—

"website today and trying to download the...documents. At every stage, I have received error messages and have only succeeded in registering through sheer persistence although I have so far failed to record any comments (I will keep trying). If I were a conspiracy theorist..."

A second constituent said:

"I have tried to object to the proposals as I feel very strongly about it, however by logging onto the system it won't allow me to get onto that area without registering. This I have tried to do and it won't work therefore I can't object!!"

I do not suppose for a second that this is deliberate, but it is exceptionally difficult to use the online process. I registered myself this morning. I had a look online and managed to register, but the barriers to people registering their comments are enormous, which is part of the problem.

The issue is not just the technology. Another constituent said:

"I'm afraid I have failed hopelessly to respond on-line to the Government's document...As an ordinary council tax payer and person, I have found the website almost impossible to comprehend and navigate and I feel that if government was serious in intending to consult with the electorate, it should ensure that the means to do so were easily understood and accomplished by all."

That is from an extremely sophisticated constituent of mine who gives me very erudite comment on policy issues and who has just given up because the process is too difficult, so how valid will the consultation be?

I had a look on the website this morning to see how many people had commented on what I call my area, which is known poetically as housing market area 1. It used to be called Avon; it is now the west of England. Out of a population of more than 1 million people, a grand total of 18 people have registered comments, the most recent of which was on 25 September. One of my constituents, Ron Morton, who chairs the Shortwood green belt campaign, rang the Government office for the south-west and asked, "Why are there no more comments since 25 September?" He was told that the official consultation website is not currently being updated with participant submissions, because "Gary is on holiday." *[Laughter.]* There is a serious point here. He has asked me to put to the Minister the following question: can the Minister extend the consultation period, this time by a period at least equal to Gary's holiday, because given the crucial timing of Gary's absence, the backlog of comments on his return is likely to be substantial?

We could have a process whereby nobody saw anybody else's comments, but we do not have that. We have a process that should allow us to see what other people have said—but we cannot, because the website has not been updated for weeks. I say, "Either do it properly or don't do it at all, but don't faff around." The entire process has been described as a Whitehall farce, and I have to agree. If we want people to respond, we should make it easy and make it doable, instead of putting all those barriers in their way.

Mr. Laurence Robertson (Tewkesbury) (Con): I agree with everything that the hon. Gentleman has said. Would he add that people are not entirely sure what they are being consulted about? Is it the original proposals? Is it the panel recommendations? Is it what the Secretary of State has said? I have spoken to very senior people involved in the process and I can assure the hon. Gentleman that they do not know what is going on.

Steve Webb: The hon. Gentleman raises a very important point. Let me give an example from my own constituency. The draft RSS that came from the regional assembly had no specific proposals at all for the Yate and Chipping Sodbury area. The panel talked about 5,000 houses in that area. Yate town council asked to give evidence to the panel and was refused, but at the end of the process a big proposal was made for its area, on which it could not feed in because it did not know it was coming. We

cannot comment on that. We had a debate in January, and the hon. Member for Tewkesbury (Mr. Robertson) secured a debate on the issue subsequently. In that debate, this Minister said that he could not respond at that point, which was in the spring, because the process was quasi-judicial and so he could not comment. He could not comment on the panel. Now we have the revisions—in the Yate case, we are talking about a figure of 3,000, not 5,000. Do we agree that 5,000 down to 3,000 is good news, or do we say that 3,000 is wrong because the panel was wrong? Are we allowed to comment on that, because we are commenting on the proposed changes, not the number that it first thought of? It is a complete farce. Nobody knows the answer to that question.

Mr. Anthony Steen (Totnes) (Con): I congratulate the hon. Gentleman on a very powerful, amusing and interesting speech, which we are looking forward to hearing more of; I will not take up too much of his time. Has he any idea of the cost to the taxpayer of this farce? Should the Government not come clean with the country and say that they will abandon the whole regional spatial strategy? I am not sure whether the spatial strategy is on planet Earth or somewhere else in the stratosphere.

Steve Webb: Yes, I suppose we might say it is more of an outer spatial strategy. I have no problem with thinking strategically at regional level, provided that the process is democratic, engages people and starts with local communities, rather than being imposed from on high. That is my principal objection. The strategy needs to be regional, not national, but what have the Government done between the panel report and the Secretary of State's version? They have stripped out some of the bits that make it different. The south-west wanted to go further and faster on renewable energy. That has been taken out. The south-west wanted to go further and faster on sustainable building. That has been taken out. Is this a regional strategy, or is it a national strategy imposed on the region? The regional assembly put it like this:

"Regional distinctiveness should be one of the hall-marks of a regional spatial strategy"—

one would think that was a statement of the blindingly obvious—.

"and its policy should reflect the regionally unique circumstances and aspirations in each region, not merely repeat national policy."

I hope that the Minister will respond to our comments and explain why some of the regional distinctiveness has been taken out of the document. What is the point of asking the region to come up with a document and then saying, "Oh, sorry, you can't do different things in your region from other regions"? That does not make sense.

Julia Goldsworthy (Falmouth and Camborne) (LD): Does my hon. Friend agree that that raises fundamental questions about the Government's definition of consultation? Is it simply an evidence-gathering session that can be ignored if it goes counter to their views, or is it genuinely a process whereby the views of local areas can feed into shaping the overall process?

Steve Webb: My hon. Friend is right. We have held five public meetings in my constituency about the issue, and 700-plus people have come to them. At the start of every one, I have had to say, "I know what you're thinking—responding to a consultation is a waste of time because nobody is listening." I hope that the Minister will assure us that the comments that we make today and that go on the website do have a chance of changing something. If he simply comes up with 3 million, or whatever the number is, and just tells us all to get on with it, I wonder whether we would be able to change anything. Frankly, however, if we were all to give up, it would be a recipe for cynicism. That is why I have been determined to fight it.

I shall focus on the specific issue of housing numbers. The document covers much more, but that is the principal concern. I considered what the last but one Housing Minister, now Chief Secretary to the Treasury, said in response to our debate in January. If I were to summarise her 10-minute speech, it would be, "You are all a bunch of nimbys: go away." That, essentially, was the line she took. That, however, may be in the Minister's draft speech, so I shall suggest a slightly more refined version.

We are not saying—I am not saying—no to more houses. South Gloucestershire is not an area of nimbys: over the past 20 years, it has taken 27,000 extra houses, including the biggest housing estate in Europe—Bradley Stoke. In the used currency, we are now being asked for another four Bradley Stokes. That is on top of what we already have.

In 2006, the then all-party cabinet of South Gloucestershire council asked, "What do we need? What can we cope with? What is sustainable? What will the infrastructure bear?" The council came up with 21,000 for the next 20 years. It was not nought. The council was not denying the need for affordable housing.

If the Minister's officials have been busy, they will know that twice in this Chamber I have demanded more affordable housing to meet local needs in South Gloucestershire. It is not no to new housing; it is yes to sustainable, affordable housing to meet local needs. However, what is proposed goes way beyond that. South Gloucestershire council said yes to 21,000, on top of the 27,000 over the previous 20 years. The draft regional spatial strategy agreed by the regional assembly came up with 23,000, which encroached on the green belt. We objected to that, but it was in the same ballpark. The panel suggested 30,800; and the Secretary of State said 32,800, which was half as many again. The issue is the margin between what the local people believe is sustainable—a number that would meet local needs—and a vast extra development.

John Penrose (Weston-super-Mare) (Con): I congratulate the hon. Gentleman on securing this important debate. I reassure him that the point he makes about his constituents not being nimbys is echoed on the other side of the Bristol in my area of north Somerset. I see my parliamentary neighbour, my hon. Friend the Member for Woodspring (Dr. Fox), in his seat; I am sure that he will make the same point. No one locally is arguing for no extra houses. The problem is that the houses being foisted on us are above what is sustainable, above what local people will sign up to, and far in advance of what local infrastructure, local transport and local community services will stand.

Steve Webb: That is exactly right. People ask me how the need for these houses arises. The report shows that they are needed not only for local people. It supposes a

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massive influx, principally from other parts of the United Kingdom. It is not about immigration from outside the UK; it is overwhelmingly immigration from the rest of the county. In some parts of the country, some houses are being demolished because no one wants to live on certain estates. In our area, there is an attempt to cram in houses. Authorities see a field and think "Housing estate." That is the state of the unbalanced economic growth taking place in our country.

People sometimes ask me where I believe the jobs and the houses should go. I certainly think that perhaps 21,000 should go in South Gloucestershire, but where is this excess? If the economy was not so unbalanced—if the United Kingdom was not like a big see-saw, tilting towards the bottom—we might have a more measured housing policy. At present, it is about trying to cram extra people in and not about local need. It seems like predict and provide—just as with the roads and the airports. We have had more houses and more jobs: let us have more houses and more jobs—and more houses, and more jobs: in 2026, another 20,000 for the next 20 years. Is there any limit? Will we have reached it when we hit another 21,000?

I shall focus on only two or three specific issues, as I know that many other hon. Members wish to speak. The first is that of the green belt.

Last year, the Prime Minister was very reassuring—honestly. He said that he would "robustly defend" the green belt. We all sleep better in our beds at night knowing that the Prime Minister will robustly defend the green belt. Sure enough, on page 75 of the document we read:

"The general extent of the Bristol and Bath Green Belt will be maintained".

We are greatly reassured by that—until we read the next phrase, which contains the words:

"subject to the following alterations: Removal of the green belt to accommodate urban extensions at Areas of Search 1A, 1B, 1C, 1D, 1F and 1G".

The only reason that 1E is not in the list is because it is not in the green belt. The document says that the green belt will be kept except when it gets in the way: the green belt is fine except that we want to get rid of it.

Many of my constituents say that the green belt is vital, especially in areas that have seen rapid development and urbanisation. Once that principle is breached, however, the area will never be the same again. It is vital for quality of life—for mental, physical and spiritual well-being—and not only for those who live in the countryside. It is particularly important for those who live in the towns and cities. It is not about country dwellers throwing up the barriers and saying, "Leave our green spaces alone." People who live in Bristol want to keep the Bristol green belt; it is not only those who live in the countryside. If the proposal goes ahead, communities such as the village of Shortwood in my constituency, which is in the green belt, would simply be wiped off the map by a sprawling housing estate.

I discovered this morning—in a document of this size, there is always something new to discover—that the housing density for what are called urban extensions, which we know as fields, is 50 dwellings per hectare. That means going up, and not only sideways. There is obviously a trade-off. We do not want completely to cover all the fields. However, the document means high density housing going up, which will have an even more conspicuous impact on the landscape, and specifically so in the green belt areas. The green belt is a fundamental issue of principle.

I ask the Minister a key question, of which I have given him notice. If any of our local authorities zone all those areas for housing, which will be expected of them, will the developers be able to say, "You have created space for 32,000 houses. The first house we build will be put on the prime bit of green belt, which we have never been allowed to touch before"? Or will they be able to say, "Hang on a minute. There are lots of other brownfield sites and urban areas that you should use first"? I hope that the Minister will be able to reassure us at least that once the areas are zoned a local authority will not lose on appeal if it says no to a green belt development simply because of a failure to apply a sequential approach.

Mr. Don Foster (Bath) (LD): I am grateful to my hon. Friend for raising this important issue. Is he aware that, in the examination in public, the panel's report stated that brownfield and greenfield sites were

"two separate but complementary streams of supply which should not be sequentially phased"?

My hon. Friend—and, I suspect, many other hon. Members—wants the Minister to allow local authorities the power to have them sequentially phased.

Steve Webb: Absolutely. I have no doubt that if any semblance of local democracy is to be left in the process, local authorities should be able to prioritise sites. That is not a no to housing; it is saying that local people—those who know the local area best—should be able to say that a site is less damaging and should be taken first. That is fundamental.

Planning policy guidance note 2, which issues guidance to local authorities, states:

"Once the general extent of a Green Belt has been approved it should be altered only in exceptional circumstances. If such an alteration is proposed"—

in this case by a local authority—

"the Secretary of State will wish to be satisfied that the authority has considered opportunities for development within the urban areas contained by and beyond the Green Belt."

If a council wants to undermine the green belt, it has to satisfy the Secretary of State that it is an exceptional case. Through the Minister, I ask the Secretary of State whether she can satisfy us that such a case would be exceptional—that there are exceptional circumstances for eroding our green belt. I have not yet seen such circumstances demonstrated.

The second key issue, about which many hon. Members will want to chip in, is infrastructure. What is poetically known as area of search 1C—it is to the east of Bristol in my constituency—is about green belt. Area search 1E, the area around Yate and Chipping Sodbury, is about infrastructure. Originally, there were no specific houses, then 5,000 and then 3,000. It seems like the phrase on "Who wants to be a millionaire"—"But I don't want to give you that." The numbers seem to come from nowhere—just an extra 5,000 houses.

Those communities already have congested roads, and infrequent train services with people being left on platforms because they cannot all cram on to the trains.

That is happening now, so one can imagine what would happen if we built those houses. There is land for them. No one is saying there is nowhere to put them—we could fit them in. However, we are talking about an area with a high level of car ownership, and a high level of commuting into central Bristol and the surrounding area. The previous version of the regional spatial strategy included specific infrastructure projects. They have been taken out and all we have left is wishful thinking about improving public transport infrastructure.

Stephen Williams (Bristol, West) (LD): My hon. Friend will know that there is already gridlock in the morning peak at the M4-M5 interchange and at the junction of the M32 and the A38, with people trying to leave Bristol to work in the employment areas in Aztec West and Bradley Stoke and people from South Gloucestershire, Bath and north-east Somerset trying to get into the city centre. The proposal will simply make matters worse.

Steve Webb: My hon. Friend is absolutely right—the area is already incredibly congested.

I am sure that the Minister will respond by saying that somebody will improve public transport. The train company was not sure whether it could provide extra trains in the morning. I asked whether it could double the number of morning peak journeys from Yate to Bristol and how many people it could actually get into Bristol. The company said it could carry only 140 more people. There will be 3,000 houses, but only 140 more people could be accommodated on journeys. The other 3,000 or so commuters—there will be some jobs in the area, but most people will commute—will not be going on trains, and buses are infrequent and expensive. Of course the Minister could do more, but has anybody really done the math, as Americans would say, to match the two numbers? It is not good enough to say, "We will build 3,000 houses and improve public transport." The roads out of Yate cannot be widened without knocking down houses. It is not a question of doing something that one is determined to do—physically, there simply is no room. Who is going to listen when we say no? Infrastructure is critical.

Matthew Taylor (Truro and St. Austell) (LD): The points that my hon. Friend made about capacity design and infrastructure are also a lesson on the need to move away from estate-by-estate, developer-led investment, which provides houses but not the work spaces and community infrastructure that create a living, working community. Do we not need investors and councils to shape communities that work? That way, we would not have everybody commuting to Bristol, but a place where people live and work as a community. One problem with the RSS is that it does not deliver a solution to the problem of shaping communities that work.

Steve Webb: I echo the need for communities that work and I pay tribute to my hon. Friend's work on rural housing. I am worried that we will not be able to make people live next to where they work, so even if we zone land for employment in the middle of Yate, people will still come in and go out. We cannot control that—that's life—and it will always happen. As my hon. Friend the Member for Bristol, West (Stephen Williams) said, we already have gridlock, which will only get worse. We should not simply wish that public transport was better. Even if we had the money, the physical possibility of improvements would be a bonus.

Mr. Jeremy Browne (Taunton) (LD): My hon. Friend is making the point that extra housing development is motivated by proximity to existing transport infrastructure. Taunton, for example, is set for massive expansion. I echo the hon. Member for Weston-super-Mare (John Penrose) in saying that we want extra housing, but not on such a scale, and not by imposition. Taunton is earmarked for expansion because it is on the M5, and people can get to Exeter and Bristol more easily for work. However, they could make those journeys only if thousands of people were not already trying to do so.

Steve Webb: My hon. Friend rightly stresses the importance of infrastructure. One other infrastructure matter is hospitals. One would assume that the health service was involved in the process, and that thinking on housing and health service planning was integrated. The Minister was a Health Minister—

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright) *indicated dissent.*

Steve Webb: I am sorry—he was not a Health Minister. Nevertheless, South Gloucestershire has a major, world-renowned hospital—the Frenchay—which includes an A and E department. That is great, but it is being closed. The population numbers on which that decision was taken were old. I asked the North Bristol NHS Trust how many people it thought would be in the area when the new super-hospital opened, but it had done no projections. When I asked how many extra people would be in the area and what that would mean, I was told that the new super-hospital would be the equivalent of 250 beds short when it opened. Are the health plans going to be revised in the light of the new housing? Has the Department of Health even had a say in the process? The infrastructure must be put in place simultaneously, not as an afterthought.

We are told that when we get the new houses, we will get schools, libraries, playing fields and so on, but some of the prime sites for development are playing fields. Some 500 children play football and rugby every week on the sports fields on the edge of Chipping Sodbury, but I bet that the developers fancy them as a prime site for building lots of houses near a nice market town. We cannot lose our infrastructure simply to build houses. People need those open spaces, and it would be criminal to lose them.

Many other hon. Members wish to speak, but I wish to talk about sustainability. Alongside the document, as the Minister knows, is a detailed, technical, independent sustainability assessment. Obviously, I read the full version—I assure hon. Members it was not just the non-technical summary, but I shall quote the latter. The assessment is an independent, expert commentary on the plans, which was published on the same day.

It states:

"There are aspects"

of the document

"that cause us significant concern. The most obvious change is the significant increase in the housing numbers planned for the region".

By law, the Government must have the plans assessed. The people who made the assessment say that they are worried, but the document has not changed. The process

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was supposed to be integrated, but on the day the document is published, the experts say that they do not think that the housing numbers are sustainable.

The assessment states that the experts are worried about the "indirect impacts" on

"natural and historic landscapes"

such as the green belt to the east of Bristol—and

"biodiversity…from noise, light and air pollution associated with increased population, new development and traffic".

We did not need sustainability experts to tell us those things, but what is the evidence that they have been taken account of in the document?

The assessment also states that

"the high level of economic growth upon which the Proposed Changes RSS is based is now unlikely".

We can be as sure as heck about that. This is a serious question. What do events in the real world mean for the proposals in the document? Given what we see on the news every night, do we really still want to plan such a vast level of development? What do the Government think? I have heard hon. Members who are present say that the document is scaremongering and that the development will not happen because of the credit crunch, the housing crash and so on, and that we do not need to worry. However, will the Minister tell us whether we need to worry? My concern is that once the land has been zoned for housing, that is that.

On a local point, what about flooding? That will concern the hon. Member for Tewkesbury (Mr. Robertson). South Gloucestershire is undertaking a strategic flood risk assessment. It has not finished that process, so we could find out that we have land zoned for housing in flood-risk areas. Will the local authority be able to change the document if that happens?

Appallingly, the housing numbers in the document are a floor, not a ceiling. The Government said that they wanted to go further if possible and, amazingly, there will be an early review to see whether higher household projections can be accommodated. The document is not as bad as it gets—it might get a lot worse. The people in my constituency are appalled by the process. They are not nimbys, nor are they opposed to affordable housing to meet local needs and local economic development, but they object profoundly to the undemocratic nature of the process. Many of us are going to Downing street later to hand in a petition signed by thousands of people to register our concerns. On behalf of my constituents, I plead with the Minister not to dismiss us as nimbys, but to listen and to change this flawed document.

11.27 am

Roger Berry (Kingswood) (Lab): I congratulate the hon. Member for Northavon (Steve Webb) on securing this debate and on his speech. I was brought to the Chamber both by the title and by his eloquence. I agree with most of his speech, especially the parts in which he addressed the overall situation in south Gloucestershire, which I will talk about as it affects Kingswood.

I am conscious that many hon. Members wish to speak, and I do not want the debate to be exclusively about our patch, as it were. I wish to make only two points. First, the proposed increase in housing development up to 2026 is absolutely unacceptable. There is not a shred of evidence that the numbers are doable or sustainable. Secondly, I am totally opposed to any building on the green belt to the east of the Avon ring road—the A4175. I am not saying that there should be fewer houses on the green belt, but that there should be no building there whatever.

On the overall situation, let me confirm what the hon. Gentleman said. There was all-party agreement on South Gloucestershire council when it was a joint administration in 2006, and today, when it is a Conservative-led administration, that the proposed 32,800 extra homes are entirely unacceptable. The infrastructure arguments on roads, public transport and other community facilities have been made. It is simply not doable, and certainly not desirable. At the same time, all three parties on the council—and we should listen to what local councillors say—said that 21,500 is a substantial additional contribution. The Emersons Green development was pushed through by the previous Government without infrastructure being developed and the last thing I want is another situation like that.

Notwithstanding Emersons Green and Bradley Stoke in the constituency of the hon. Member for Northavon, the fact is that councillors, myself and, I believe, the majority of local residents are prepared to accept something pretty close to the original draft RSS figure of 21,500. However, what is now being proposed is significantly more than that, and it is entirely unacceptable. It must be revised down to a more acceptable level. I speak not only for my constituents and myself but, I am sure, for any sane person who has examined the numbers. There is no case for the figure that is currently out for consultation.

Secondly, as I have said, I am totally opposed to any building on the green belt to the east of the Avon ring road, from Shortwood and Bridgeyate down to Bitton, for three basic reasons. The first is that the green belt is there to separate adjacent urban communities, and if the proposal were to go through, it would totally undermine the credibility of the green belt between Bristol and Bath. I hope that the Minister will take that on board. There is massive opposition to the erosion of that green belt.

Secondly, the proposals for new housing are actually in the wrong place. I have pored over the documentation for more hours that I would wish, and found that in Kingswood, in the southern part of south Gloucestershire, there is a massive net outflow of people who work in Bristol, on the northern Bristol fringe and in the northern part of south Gloucestershire. People are migrating out. I believe that it is sensible to try to locate houses close to where people work, but the proposals would do precisely the opposite.

That brings me to my third reason. Just imagine the environmental implications of the proposals—the hon. Member for Northavon made that point. Imagine the implications for transport and roads, and particularly for public transport. Like many other people in my constituency, I have to use the Avon ring road regularly. One of the first things that I demanded when I came to Parliament was the completion of the ring road, because there were bits at either end but nothing in the middle. It has helped many neighbouring communities to alleviate transport disaster, but it is now operating pretty close to full capacity. The idea that thousands more homes to the east of the ring road, on the green belt, would cause anything other than a disaster for public transport and the environment is, frankly, cloud cuckoo land.

Julia Goldsworthy: Will the hon. Gentleman give way?

Roger Berry: I shall very briefly, but I am conscious that other colleagues wish to speak.

Julia Goldsworthy: I shall be brief. I wish to draw the hon. Gentleman's comments out more widely by saying that the lack of a match between the number of houses and the number of jobs is explicit. The regional spatial strategy proposes 11,100 dwellings in my constituency, but we know that only 4,700 jobs can be provided. That is implicit in the calculations.

Roger Berry: I strongly agree that, particularly at a time that we are concerned about the environment and environmental damage, we must pay due attention to ensuring that decisions about housing and employment are made together. Otherwise, the transport, infrastructure and environmental problems will become enormous.

I have two final points, which will be brief because other hon. Members wish to speak. First, I do not believe that the regional spatial strategy should be site specific. The hon. Member for Northavon referred to that. There must be an agreement on the total level of housing in each local authority area, and it should be made democratically. At the end of the day, however, whatever the level of housing development in south Gloucestershire needs to be by 2026, where the houses go should be a matter for the local council and local councillors. I spent far too much time as a Labour local councillor on the old Avon council, before the previous Government abolished us, arguing that local councillors should have the power to represent their people. I am not going to change that view now, just because I happen to be here. Local councils must have the powers and opportunities to say where housing is best placed. I do not believe that it is right for anyone else to assume that responsibility.

My final point is about the importance of South Gloucestershire council's own response to the consultation. It is critical, as are the responses of all local councils, and I wished to make two points about it. However, I shall make only one, because I am conscious that other Members wish to speak. It would not be good enough for South Gloucestershire council to object simply to the scale of developments east of the Avon ring road. It should oppose them altogether, and I expect it so to do. That is what the economic and environmental arguments demand, what local residents want and what the vast majority of those who live in Kingswood want. I very much hope that the Minister is listening, and I am sure that he is.

11.35 am

Annette Brooke (Mid-Dorset and North Poole) (LD): I congratulate my hon. Friend the Member for Northavon (Steve Webb), who exposed most eloquently the very many flaws in the process that has brought us to this point. The top-down, undemocratic nature of those flaws are crucial problems. The matter is the most frequently raised issue in my constituency since the report of the examination in public, and even more since the end of July. I have been personally involved throughout the process, but other MPs were not even allowed to speak at the examination in public.

I wish to pick up the point about affordable houses, for which there is a huge need in my constituency. If I believed that the proposals addressed that need, I would support them. However, given the environmental and other constraints in my constituency, I do not believe that we can build our way out of the crisis. The approach to providing the housing that we need should involve local communities providing houses to agreed targets, very locally and in suitable locations, and it must be backed with more Government money. When faced with a large amount of heathland, as is the case in Purbeck in my constituency, there are so many constraints that it is necessary to have extra Government support—not Government dictation—to meet our needs.

There are two sites proposed for my constituency, one of which popped up after the examination in public. It is proposed that there should be 2,750 homes in the green belt. The proposal is opposed by every council at whatever level, and was made by one developer. Was the hearing balanced, I ask myself? Everybody is against the proposal. It will shatter the green belt, and we will have just one urban sprawl. By the end of the process, if it is not halted, I imagine that there will be wall-to-wall housing from Wareham to Christchurch.

Mr. Steen: The problem is not just in and around Bristol and Purbeck. Is the hon. Lady aware that in Torbay, the spatial strategy would mean an urban sprawl right out of Torquay into Paignton and into green fields, with tens of thousands of houses? There is already gridlock on the roads and no schools or health services. The proposal is preposterous and ought to be buried fast. Does she agree?

Annette Brooke: I welcome the common ground that is being found today among all parties and from all parts of the region. There is good reason for the Minister to listen, and I accept the hon. Gentleman's point.

The overall number of houses proposed is going up, up, up, and it is debatable. The growth premise of the regional spatial strategy must surely be reviewed in light of what is happening. I appreciate that it is a 20-year prediction, but the predicted growth rate of 3.2 per cent. appears to be totally out of line. I endorse the point made by my hon. Friend the Member for Northavon that there is uncertainty about exactly what the report of the examination in public says. It certainly seems to me that it implies that there is now no necessity to look for brownfield sites first. We must have clarification on that point today.

I endorse my hon. Friend's point about infrastructure. The change that the Secretary of State has brought to my area would remove any infrastructure requirements. In some ways, there is some practicality about that because, for example, the roads cannot be greatly improved without their impinging on the heathland. However, given the congestion during the tourism season, the provision of all the proposed extra housing without any extra roads is absolutely impossible to comprehend.

Purbeck's target has been increased during the process, from what the local councils agreed, by 145 per cent. Purbeck is one of the most constrained areas for development in the country, so it is an impossible proposal. In addition to the Purbeck housing, there are proposals with which some local councils originally agreed, but not at local community level, such as those

[Annette Brooke]

for 700 new homes in Corfe Mullen, and a further 1,000 in east Dorset, at Wimborne and Colehill, which are located in beautiful green belt areas. I think that everyone believes that if the proposals go ahead they will represent the destruction of beautiful areas for ever. We do not have faith in the process by which we have reached this point. I urgently ask the Minister to reconsider, and to listen to the many representations that are being made. Let us get back to making our decisions at local community level.

11.40 am

Mr. David Drew (Stroud) (Lab/Co-op): Because of the time constraints and the fact that so many hon. Members want to speak I shall keep my remarks very brief.

I was at a meeting of Unite activists last week, many of whom came from the constituency of the hon. Member for Tewkesbury (Mr. Robertson). I thought I was there to answer questions on the economy, employment and trade union rights, but we spent half an hour talking about how unfair they thought the proposals were to impose housing development on the flood plain, particularly in the Tewkesbury area. I hope that my hon. Friend the Minister realises that this is not an issue that will go into the long grass; it is a burning problem in our area, because people feel very strongly. *[Interruption.]* We get those as well, with the floods. The issue will not go away and we must face up to the fact that housing development in Gloucestershire—but obviously the whole RSS—is highly controversial.

I want to make some very specific points, the first of which is quite critical of local government. I understand where the South West of England Regional Development Agency and the Government office for the south-west are coming from in relation to the RSS, but there are local government representatives on the RSS and I want to know why their voices were not heard, apparently, until the plan came back with everyone against it. I should like to know who was on the RSS, and what they had to say. Were they part of the proposals? Did they walk out? Did they not turn up? Did they express their anger? If they did not, I want to know why not, because either local government is part of the process or it might as well give up completely. That is my criticism of local government, but it does not enable us to escape from the fact that we have a problem.

Principally—I know that my hon. Friend the Member for Gloucester (Mr. Dhanda) will say something on this point if he is called to speak—we were very angry about the way in which a site-specific recommendation was brought forward, in relation to the RSS, for Whaddon, which is in my constituency but happens to abut Gloucester city. I could make the point that that is entirely the responsibility of Stroud district council, because it has been obsessed with pushing the Hunts Grove development, which, again, is concentrating development on the southern rim of Gloucester, but it should not be making site-specific recommendations in connection with the RSS.

Mr. Parmjit Dhanda (Gloucester) (Lab): On that point, my hon. Friend and I have both been working very hard on the matter, and we were told that the RSS would not be site-specific. In fact, Brookthorpe with Whaddon was taken out of the text of the RSS but has remained in a map—whether accidentally or on purpose we do not know. Surely the sensible thing to do would be to remove the allocation, take the map out, and say that those 1,500 homes should if anything be part of the local development framework. That would then, as my hon. Friend the Member for Kingswood (Roger Berry) has said, give the local authority the ability to decide where to put those homes, including in the rural communities that my hon. Friend the Member for Stroud (Mr. Drew) has been suggesting for some time.

Mr. Drew: Obviously I agree with my hon. Friend. It is good to see him back with us mere Back Benchers; we can find many opportunities to argue our position—and we will. I want to make a couple of other points. We feel strongly about Whaddon, and about other opportunities to bring forward ideas on housing development—I know we are obsessed with housing development, but that is a controversial part of the proposal. The point has been made about the need to link employment and housing. We have an employment problem in the Stroud area, not least in that virtually all the employment growth has been in my own town of Stonehouse. That has led to all manner of other problems about where people live in relation to where they must work. I asked a parliamentary question during the recess about how many commercial properties are still empty in the Stroud district and the answer was more than 500. I do not want to lose those as employment possibilities, but I cannot believe that all of them are suitable for employment and I want to know whether we are in any way going to move away from the brownfield first obligation that the Government have been right to pursue, and which has been successful. What are the implications for that? I want some of those sites to be used for housing.

Martin Horwood (Cheltenham) (LD): I am very grateful to my neighbour from Gloucestershire. Does the hon. Gentleman accept that one of the reasons for the mounting fury in Gloucestershire, and certainly around my constituency, is that the sequential test has been lost and we have developers, right now, putting in planning applications that some of them will appeal within weeks, on the basis of an RSS that is not yet policy, and that thousands more are being mapped out across our green belts? That is the implication of losing that sequential test—that the greenfield sites will be developed first, not just at the same time as the others.

Mr. Drew: I hope that the Minister hears that important point, but I want to finish with one more point: there is a degree of unfairness in the RSS. I think that that unfairness is that Gloucester and Stroud are again taking the lion's share of development. I know that Tewkesbury is catching up, and there are some issues that the hon. Member for Tewkesbury may want to raise if he is called to speak; but I think that the balance between the Forest of Dean, Stroud and even Cheltenham—my neighbour the hon. Member for Cheltenham (Martin Horwood) may not necessarily agree with me about that—is not right. However, I also want to make the point that the development on the ground is happening specifically in some parts of the districts—almost certainly the Labour parts of the districts—where we are taking an intense increase in the

amount of development. I have always argued that we need to disperse at least some of that development around.

It is good to see the hon. Member for Truro and St. Austell (Matthew Taylor) here. The Taylor report gave us some indication of what rural areas need. They need some development. I shall always argue in favour of dispersal. At the very time when we are concentrating housing development as excessive numbers of the wrong type of housing where the jobs are not, we are killing our rural areas because we cannot get any development in them. What is happening is a recipe for telling developers, "Go for the easy pickings. Forget the rural areas; they do not matter." That kills rural areas and is unfair to the places with excessive development. I hope that my hon. Friend the Minister hears that; it is important that we get the point. We need development in rural Britain. It should be of the right scale, but we certainly need it.

11.48 am

Dr. Liam Fox (Woodspring) (Con): I shall focus on north Somerset. I know that other hon. Members want to speak.

The targets for housing allocation in north Somerset were always absurd. They represented a Whitehall-centred view of housing development, and took no account of the impact on the local environment, the need for infrastructure development, or the detrimental effects on the quality of life in the area in general. Let me just put the size of the development in perspective. In the census of 2001, the town of Clevedon in my constituency had a population of 22,000, representing about 9,300 households. I imagine that that is the size of development in many of the constituencies of my colleagues here today. By 2006 it had grown to the size that is now proposed for development in north Somerset; so what did Clevedon have in 2006 that a similar development would require? It had seven wards and seven ward councillors, one secondary and six primary schools, one leisure centre, one swimming pool, seven places of worship, six pubs, two post offices, three supermarkets, one hospital, three doctors' surgeries, three dental surgeries, four vets' practices, one library, 16 community meeting places, 150 allotments, one youth club and about 100 bus stops served by six main services. That is the sort of infrastructure that any of the developments in the strategy would require. Yet in north Somerset we are witnessing a contraction of infrastructure, with doctors' surgeries at risk, post office closures, and inadequate public transport, especially in rural areas.

I echo the comments of the hon. Member for Northavon (Steve Webb). We are not talking about nimby areas. We have taken a large share of development. In the past 20 years in my constituency—in Nailsea, Clevedon and recently in Portishead, with a huge and prestigious development on a former brownfield site—we have taken more than our share of increased housing. We accept that people need places to live, but one cannot simply continue to stuff the same places with ever greater numbers of houses without any consideration for infrastructure. Who would live in those homes?

The hon. Member for Kingswood (Roger Berry) mentioned transport. My constituency has the lowest unemployment rate of any in the United Kingdom and among the fewest job vacancies. Where are the people in all those houses going to work? They will have to drive to Bristol or Weston-super-Mare, increasing road traffic against every one of the Government's targets on transport and the environment. Our road networks are already struggling under the burden from the increased housing development of the past 20 years.

John Penrose: My hon. Friend is making an elegant statement of the problems that we in north Somerset face. As he is making points about transport infrastructure, I remind him—to return to the earlier point about the lack of cross-departmental co-operation—that the Highways Agency has said that it has no plans to expand the capacity of the M5, the major arterial route for people making the type of journey that he describes, and that it is at odds with the Minister's Department over the RSS.

Dr. Fox: It represents a complete dislocation of government. There are targets in one place and different targets in another, and they do not seem to add up in any way. Try to get into or out of Portishead at peak times: it is now the biggest cul-de-sac in Britain. Barrow Gurney is still waiting for a bypass 10 years after it was promised. The airport is dragging more and more traffic through the villages in my constituency. We do not have the infrastructure for what we have, let alone for any more.

In a letter to Sir Simon Day, Baroness Andrews said:

> "The lack of a transparent, systematic and rigorous assessment, prioritisation and testing of infrastructure proposals significantly reduces the clarity and certainty that should be essential features of RSS and the development of planning process. Furthermore, if the specific proposal for infrastructure provision were included at this stage, the RSS would be exposed to a substantial risk that, on further testing, those may be found to be undeliverable."

To interpret the jargon, if we take into account the actual cost of the proposals and the real amount of infrastructure required, the numbers do not add up, and if we include the genuine price, the strategy becomes totally uneconomic.

We are witnessing a dramatic slowdown in the housing market. House-building activity is grinding to a halt as demand falls. To sign up to the sort of housing expansion envisaged in the strategy before we know what impact the current economic crisis will have on home owners' behaviour would be complete folly. This is no time to grant speculative permissions that might be used in entirely different future circumstances. With the possibility of a change of Government—a Conservative Government would take an entirely different approach to housing targets—developers will face even greater temptation to get as many permissions as possible for future development. It is essential that local councils do not play into their hands, wittingly or unwittingly, by seeming to go along with some of the underlying assumptions.

For example, we in north Somerset must not agree to the current scope of environmental impact assessment. First, it implies wrongly that there is consensus on the issue. Secondly, it might be argued in a future inquiry that such an agreement constituted a nod from the council in the direction of permitted development. Our area faces one of the most unimaginative planning schemes, whose answer to shortage in south Bristol is simply to concrete over the adjacent countryside. A back-door extension to the city boundary is the least acceptable solution to the problems we face.

[Dr. Fox]

As the fields of the village of Dundry in my constituency are being built on, I can easily imagine the argument: "Now we've got this housing built, health services are being provided by the Bristol primary care trust, but social services are being provided by north Somerset. We've lost coterminosity. Wouldn't it be much nicer if we simply created a new boundary? It would make everything much tidier for the bureaucrats." The only planning permissions that should be granted are those that would be accepted under current policy and that fit in with local priorities. Elected councillors in all our areas must give their offices clear leadership to ensure that the wishes of those who live in north Somerset and the south-west as a whole are given priority over the convenience of the bureaucracy or a speculative development. Our green belt must be left alone.

11.54 am

Mr. Parmjit Dhanda (Gloucester) (Lab): It is a pleasure to serve under your chairmanship, Mrs. Anderson, on my second debut from the Back Benches. I congratulate my hon. Friend the Minister on securing his role in Government as a paid position. He is being asked to earn his money today, and I know that he will listen well to earn it. He has done a good job as Minister in the past year, and I wish him the best of luck. One thing that is likely to be in his brief—rightly so—is the fact that average house prices in the south-west of England are higher than the national average, but average wages are lower.

I congratulate Gloucester city council on its pragmatic way of taking on the issue of housing. We have a housing list of some 5,000 people in dire need, so we do need more houses—the council tells me that it is still interested in growth status as well—but we have major concerns about where the houses are to be built. Plans for regeneration in our town centre, along the Gloucester docks, are progressing well, but they could be jeopardised by the development that might be proposed for the Brookthorpe-with-Whaddon area. I am concerned about that, as is my hon. Friend the Member for Stroud (Mr. Drew). The area lies within the Stroud boundary and is part of the Stroud district.

The city of Gloucester looks almost comet-like. The city centre is in the north, and the rest of it trails to the south. Brookthorpe-with-Whaddon would add to that trail of urban sprawl. It is also a greenfield area that has protected areas of my constituency, such as Grange and Tuffley, from severe flooding. My hon. Friend the Minister will know that we have had terrible floods in Gloucester. They would have been far worse but for the green area south of Grange and Tuffley, which affects the Grange road and Bodiam Avenue areas because of its proximity to Wyman's brook, Whaddon brook and Daniel's brook. The plans could have a cataclysmic effect on an area where people are still homeless from last year's major floods.

I ask my hon. Friend to consider working in partnership with Gloucester city, which has taken a pragmatic approach to housing, to remove Brookthorpe-with-Whaddon from the maps of the RSS, as it has been removed from the text. If an allocation of 1,500 houses or any other allocation is to be made for the site, I ask him to work with Stroud as well and to say, "You decide where those properties should be." My hon. Friend the Member for Stroud has some clear ideas, but he does not believe that the development should occur at the location called 3B on the RSS maps.

From dealing with officials on the matter as a constituency MP, I know that some of them are working hard on it, but I do not think I have got through to them. They tell me that the RSS is not prescriptive. The first thing that Stroud district will do when it develops on that site on the borders of the city of Gloucester is say, "The Government are making us do it." Regardless of whether or not the RSS is prescriptive, that is what it will say. Let us put the ball back in its court by letting Stroud have greater control over where the houses should be. By working in partnership, we can get the right amount of housing for the area in a more pragmatic way.

[ROBERT KEY *in the Chair*]

11.58 am

John Penrose (Weston-super-Mare) (Con): I hope that the Minister is getting the message that from one end of the region to the other, concerted opposition is being voiced to the proposals in the regional spatial strategy, not just by MPs from up and down the region and from all parties, but by many people who have come here to sit in the Public Gallery. I pay tribute to those who have written to me from my constituency and others, such as Chris Skidmore who is here. Many others are mounting very vocal campaigns to prevent the development.

I do not want to spend time going over issues that have been covered, but the crucial thing for my part of north Somerset, the constituency of Weston-super-Mare, is the proposals' lack of sustainability. We have mentioned the difficulties of the lack of liaison between the Minister's Department and the Department for Transport. The Department for Transport says it will not expand junction 21 of the M5 in my constituency unless proper provision is made to improve the balance between employment and housing in the RSS for my area, but at the same time, as everybody here knows, the RSS has dramatically increased the amount of housing without any concomitant or matching increase in local employment. As a result of that lack of joined-up Government thinking, my constituency, which already has an enormous amount of net out-commuting every morning and evening—it also has the matching degrees of traffic congestion—will actually face increases in out-commuting. We need jobs before yet more houses, otherwise a crucial element of sustainability in the RSS will be lost.

Without wishing to take up any more time, on the grounds that everybody else wants to say something, I would still like to mention the problem with the growth rates. It has to be wrong—it cannot be sensible—for us to talk with straight faces about a growth rate of well over 3 per cent. per annum for the next 20 years when, even as we stand here, we face one of the worst financial crises, and probably one of the worst general economic crises, of the past 20 years. As we all know, yesterday the stock markets collapsed to a tremendous degree—I do not know what they are doing today—so we are in cloud cuckoo land if we think that standing here and blithely talking about such high growth rates is reasonable.

Mr. Don Foster: It is vital that we make the Minister aware of how ludicrous some of the figures are. On my patch, they would mean building new houses at three times the current rate. What is equally ludicrous is that we are wishing to build student accommodation on our two university campuses, which will take people out of existing homes in my city centre, but that for some bizarre reason that student accommodation will not count towards the figures.

John Penrose: I hear what the hon. Gentleman is saying. Perhaps the only thing that could be said for declining house prices is that they make some houses more affordable, if people could only get the mortgages in the first place, which of course they cannot. We all understand that the growth rates are unrealistic and that therefore the central premise of the RSS is wrong, and yet for some reason the Government seem to be grinding on remorselessly and seem unwilling to change their figures or their view. The RSS is unsustainable; it does not represent joined-up Government and is tremendously environmentally unfriendly from the point of view of increasing commuting as well as concreting over green belt land. Ultimately, it fails the crucial test in my constituency—it does not put jobs before yet more houses.

12.2 pm

Mr. Don Foster (Bath) (LD): I shall be very quick, Mr. Key. As others have said, it is important that we all acknowledge that we want additional housing, particularly affordable housing. In my area, the local council agreed 15,500 new houses; the examination in public then said we must increase that figure to 18,800, and then—bizarrely—the Government said even that was not enough and that we need 21,300.

Dan Norris (Wansdyke) (Lab): We want some housing for those who are desperately in need. In the district that I and the hon. Gentleman represent, 6,000 people are without homes. It is very important that we do not forget that in this debate.

Mr. Foster: The hon. Gentleman is absolutely right. I hope that he will join me in echoing comments made by others about the urgent need to have a sequential test so that we stick to the rule of developing brownfield, derelict properties first, and green belt land as a very last resort, if necessary. If we do not, it will lead to problems with developers cherry-picking the best and easiest sites, which would be a planning disaster. As others have said, infrastructure is crucial. Will the Minister at least reconsider the ludicrous situation in the centre of Bath, where 1,772 family homes are entirely occupied by students? Building student accommodation on our two university campuses, including the one in the constituency of the hon. Member for Wansdyke (Dan Norris), would release many of those properties. Surely, releasing properties for ordinary home use should count towards the target.

12.4 pm

Dan Rogerson (North Cornwall) (LD): I congratulate my hon. Friend the Member for Northavon (Steve Webb). Many Members on both sides of the House and from all parties—in particular, from mine—have been interested in contributing to this debate. He pinpointed some of the key problems with the process: the first is lack of parliamentary scrutiny—this is one of the few opportunities that we have had to have any input into the process, other than in writing of course, and I am sure that everybody who has written in at every stage of this process will feel that their comments have been taken into account in their entirety.

My hon. Friend also pinpointed the barriers in electronic media that constituents have faced when trying to engage with the process. He raised the crucial "Gary question"—I guess that that is how it will have to be framed. I wonder whether a copy of our discussions could be sent to Gary, wherever he is in the world! There seems to be a real lack of understanding—understandably—about the importance of what we are debating today. That is a feature of the top-down way in which the process has been driven. It means that people are removed from decisions that will very much affect their lives. My hon. Friend was absolutely right to pinpoint that.

Mr. David Heath (Somerton and Frome) (LD): I would like to raise a matter that has not really been discussed—the so-called "Regional Approach to Transport" chapter, which indicates that there is no regional approach to transport. It also states that the A303 is apparently no longer the second strategic route to the south-west and makes the entertaining suggestion that the answer to the problems with the A303 is better walking and cycling measures. That will be a great help to people wanting to go on holiday in the south-west of Cornwall. It really exposes the poverty of thinking in the document.

Dan Rogerson: My hon. Friend is absolutely right. The extra housing numbers being advocated in the RSS mean that the available transport funding will be sucked into the new urban areas, which means that projects such as the A303, along with the A30 at Temple in my own constituency, which were on the original list, are now some way down it.

This debate is reminiscent of others that we have had in this Chamber on eco-towns, in which hon. Members have said time and again that planning ought to be about local people, through their elected representatives, coming together to determine the shape of their communities and looking at priorities and needs that must be taken into account. Hon. Members are right to point out that there is huge housing need but, as my hon. Friend the Member for Bath (Mr. Foster) said, there are empty properties out there, whether as a result of "studentification"—a phrase that has come into my vocabulary in the past year or so—or of the imposition on communities, such as those in my constituency and others in the south-west, of second homes, or any other factor. We need to consider all those questions.

Problems exist with the underlying suppositions in the document. As the hon. Member for Weston-super-Mare (John Penrose) mentioned, current economic circumstances might mean that we are facing a very different reality from that which was in place when we started out on this process—or, indeed, when somebody started out on it. The process deals in artificial constructs. My hon. Friend the Member for Northavon talked about the very poetical language used to describe parts of his constituency. This is my favourite: unknowingly, many

[Dan Rogerson]

of my constituents live in the Devon and Cornwall polycentric housing market area—I am sure they would be delighted to hear that.

This Government's regional policy is in tatters. A referendum was held in the Minister's own area on moving towards regional government, and because of this we have staggered from one change to another, and now nobody is clear about where regional policy is going. It means that a document such as the one we are discussing, which could be hugely influential on and important to developers, if not to local communities, is still in question because we do not know how we are to move forward. My party's position is that regions must come about through local areas working and coming together to form natural regions with their own priorities that will then allow serious discussions to be had about transport and other infrastructure priorities, as well as the housing issues being debated here.

Sadly, the process as it stands will destroy any remaining confidence that the people might have had in the planning system. Last night, while staying in my constituency, I attended a Trewen parish meeting. I am sure that you, Mr. Key, and other hon. Members will be familiar with Trewen. It is a parish of about 70 or so dwellings. The most animated point of the evening came when planning issues were raised. But those are planning issues that people can get hold of—they are local, they are on their doorsteps and they understand them. It is easy to get people involved in parish planning processes, to get them engaged and to make them feel empowered—they ought to be the building block of planning policy. Clearly, some brokering is required, but I think that we can overcome any nimbyist tendencies.

Hon. Members have said that their constituents are keen to have housing, but in the places where they decide, not those decided by developers. My hon. Friend the Member for Truro and St. Austell (Matthew Taylor) was right to say that we should move forward, with local authorities representing their communities and working in partnership with developers to come up with serious plans. That is what planning should be about, and that is the sort of planning that could re-engage people with the planning system. That is what my party would seek to do.

We have seen, through the eco-towns development and from a debate that we had about Northamptonshire some time ago, that developers are using the threat of housing targets imposed from outside to go to appeal and avoid local engagement. That is a criminal position for us to be in, and we need to move forward in a far more constructive way.

Andrew George (St. Ives) (LD): I am aware of the lack of time, but does my hon. Friend agree that the south-west strategy, as produced by the Department, is an exercise in micro-management of the region that will lead to a cataclysmic outcome in many areas, as many have described? Above all, it projects forward the past failures of growth-led strategies, particularly in his area and mine, where house numbers have doubled in the past 40 years while the housing problems of local people have become worse. Does he agree that simply building more houses is not the answer?

Dan Rogerson: My hon. Friend is absolutely right.

I shall draw my remarks to a close. The so-called planning process has continued to undermine people's faith in the system. What we should have—I hope that at some point we will have it—is a far more transparent, grass-roots-led programme that is driven by community need and gives communities control over their future.

12.11 pm

Mrs. Jacqui Lait (Beckenham) (Con): I am a veteran of a number of Westminster Hall debates, and I have never seen either the Public Gallery or the Chamber so full of people singing from the same hymn sheet. There has not been one dissenting voice so far.

Mr. Iain Wright: Not yet.

Mrs. Lait: I said, "so far". Hon. Members will be relieved to know that I do not plan to take up too much time, because we all ought to hear from the Minister at great length.

Another irony is that there are several veterans of the Planning Bill present for our debate. Let me take up the issue of infrastructure, which was raised by the hon. Member for Northavon (Steve Webb), whom I congratulate on gaining this important debate, and by my hon. Friend the Member for Woodspring (Dr. Fox). Being slightly conspiracy-minded, I wondered whether the community infrastructure levy was going to be the Government's answer to all our infrastructure problems. Given our doubtless expanding economy in the next few years, on which all this is based, do they think that it will produce the money to magic up a junction on the M5 for my hon. Friend the Member for Weston-super-Mare (John Penrose), and open up the expansion of the ring road that the hon. Member for Kingswood (Roger Berry) mentioned? What about the other requests for infrastructure and the eloquent description of the infrastructure that is needed in Woodspring?

Before I launch into the few words that I have to say, I need to put on the record the fact that my husband is the leader of East Sussex county council and the deputy chairman of the South East England Development Agency. As hon. Members can imagine, he has been engaged in all of these debates regarding the south-east. All the arguments that have been put forward today are familiar in the south-east, and I suspect that Members from other areas of the UK would make exactly the same criticisms if they were present, because the Government's regional strategy is bust. It does not work, it is hated and loathed, and it has contributed fundamentally to the British people's distrust and suspicion of our planning system. Our planning system used to be the envy of the world—so much so that one can still find similar systems around the world—but the Government have bust it, because local people no longer feel that they are in control of planning.

Mr. Jeremy Browne: I completely agree with the hon. Lady that there should be more local autonomy when taking decisions of this sort. I am therefore curious to know why she came to my constituency to try to overrule the local council on housing decisions that it seeks to take.

Mrs. Lait: Those proposals are very controversial within the hon. Gentleman's constituency, and local people must therefore be able to voice their objections. His party maintains that it has long believed in localism, although it has not really delivered it, so its representatives, of all people, should understand that issue.

Moving on to how we can sort the problem, it is clear from all that has been said that there is no acceptance of the Government's regional spatial strategy. As many hon. Members have pointed out, if the houses that local communities know they need are to be built, local people need to be in control of that process. The only way that they will gain that control is if the whole regional spatial strategy is abolished. That is what we will do when we become the next Government. That is one of the keys to ensuring that our planning system regains the respect of the people who have to live with it. We must put them in control and work with the councils so that, for every local area, a development plan is produced that local people respect and are prepared to buy into—indeed, that they own. Once we have abolished the RSS, local people and councils will be in the driving seat. That was the tenor of everyone's contribution today, but I am surprised that the Liberals, in particular, did not make that commitment.

12.17 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): It is good to see you in the Chair, Mr. Key. I am keen to start by asking the hon. Member for Beckenham (Mrs. Lait), "Is that it?" I am quite amazed by the response from the Conservative party.

I congratulate the hon. Member for Northavon (Steve Webb) on securing the debate. He was entertaining, funny, engaging and passionate. Indeed, that is a word that I would use to describe the debate, as Members on both sides of the House have been passionate. However, I was not aware that there were so many Liberal Democrat Members. I am amazed by how many there are—far too many for my liking.

The hon. Members for Northavon and for North Cornwall (Dan Rogerson) said that there has been a lack of parliamentary scrutiny of the whole process, but I disagree vehemently. We have had several debates on the south-west regional spatial strategy, both in this Chamber and in the main Chamber. Indeed, the hon. Member for Northavon himself mentioned that the RSS was debated on 22 January, when my right hon. Friend the Chief Secretary to the Treasury was Minister for Housing. I have responded for the Government in debates on 7 May—I believe that that debate was secured by the hon. Member for Tewkesbury (Mr. Robertson)—and on 25 June. This week, we have this important debate and I shall talk about housing in Plymouth later today, when I expect the RSS to be mentioned. In addition, the hon. Member for St. Ives (Andrew George) has secured a debate on affordable housing and planning tomorrow, in which the issue will be debated again. Oral questions to the Department for Communities and Local Government are scheduled for next Tuesday, and I would welcome questions on this subject: they must be tabled by tomorrow. The idea that the matter has not been subject to parliamentary scrutiny is wrong. It was announced that the 12-week consultation process would start in July. This has been subject to public consultation, as it rightly should be.

Andrew George *rose—*

Dr. Fox *rose—*

Mr. Wright: I shall give way first to the hon. Member for St. Ives and then to the hon. Member for Woodspring (Dr. Fox).

Andrew George: The Minister mentioned the debate on 25 June, which I secured. He said—and this confirms what my hon. Friend the Member for Northavon said earlier:

"I hope that hon. Members will understand that because of the nature of the process I am constrained in what I can say at this stage".—[*Official Report, Westminster Hall*, 25 June 2008; Vol. 478, c. 99WH.]

That continued throughout the whole process. At what stage will the Minister be unconstrained? When can we have the debate? When will there ever be the parliamentary scrutiny that he says has been promised?

Mr. Wright: I shall respond directly to that point after I have given way to the hon. Member for Woodspring, but I give due notice to the House that, with regards that issue and the quasi-judicial nature of the process, I am going to disappoint Members again.

Dr. Fox: What is the point of scrutiny when the Government absolutely disregard the views of those who represent the region? In this room today, more than 20 MPs, representing all parties and all parts of the region, have unanimously decried the Government's strategy. What conclusion does the Minister draw from the debate? And what change of policy will come about as a result?

Mr. Wright: Let me get to the very heart of my response. As the House is aware, owing to the quasi-judicial role of the Secretary of State in this matter, I am very limited in what I can say. The House, and certainly hon. Members present today, will be aware that, in taking quasi-judicial decisions under the various Planning Acts, there is clear guidance for Ministers, based on advice from the Law Officers and first Treasury counsel. A copy of the guidance can be found on the Department for Communities and Local Government website and is snappily titled "Guidance on propriety issues in handling planning casework in Communities and Local Government". I am more than happy to provide copies of it to hon. Members. The guidance states that Ministers should not enter into discussions with interested parties on the changes that might be made to a draft regional spatial strategy. This is to ensure that the process is fair and transparent, and that representations to the Secretary of State are channelled through the proper statutory consultation process. It would therefore be entirely wrong if I were to say in this debate or in others, "Well, actually, I agree with so-and-so on that particular point, and I disagree fundamentally with that approach on that point." It would be wrong because of the quasi-judicial process.

Steve Webb: The Minister seems to contend that, on the one hand, there has been lots of parliamentary scrutiny in the debate, but that, on the other, at no point since Christmas has he been allowed to say anything. That is a funny concept of debate, but to assist us in

[Steve Webb]

responding to the consultation, surely he can at least tell us what the document means. That must be allowable. Does the document mean that we have to say yes to the first application on the most sensitive site, or can we be sequential? Surely he can tell us what the document means so that we can respond to it.

Mr. Wright: I shall come on to that point. First, I shall try to respond as best and as fully as I can to the four or five points that were made.

I have just mentioned process, so it might be useful if I outline the process that has been used. As I have said on previous occasions, the function of regional spatial strategies is to determine first, how much housing is needed and the general location where it should be built; secondly, the priorities for new infrastructure and economic development; thirdly, the strategy for protecting countryside and biodiversity; and finally, the policy for reducing carbon emissions and safeguarding natural resources, whether they are, for example, water or minerals.

As the House is aware, responsibility for the initial drafting of the strategy for the south-west rested with the South West regional assembly, which submitted its draft to the Government on 24 April 2006. A 12-week public consultation gave the public the opportunity to put comments to an independent panel, which was appointed by the Secretary of State for Communities and Local Government to test the soundness of the draft RSS. Following that, an examination in public—an EiP—was held between April and July 2007 to discuss and test the draft RSS that was put before the panel. The length of the EiP reflected the level of interest in the draft RSS, and the panel reviewed comments from almost 2,000 different parties. Some 191 organisations and individuals took part in public hearings, which were held in Exeter.

The panel's report was submitted to the Government on 10 December 2007, and published for information on 10 January 2008. It contained recommendations to the Secretary of State on all aspects of the draft RSS, but representations on those recommendations were not invited. Following the publication of the panel report, the recommendations were considered, and proposed changes on behalf of the Secretary of State were published for consultation in July. As the House is aware, we are now making progress through a further consultation period, which will end on 24 October.

What I can tell the House is that the Government are committed to ensuring that everyone has access to a decent home at a price that they can afford and in a place where they want to live and work. There is strong evidence to suggest that more homes are needed in the south-west to make that possible over the next 15 to 20 years. Consequently, the proposed changes set out higher levels of housing because, as hon. Members from all parts of the House have said, the south-west has a serious housing problem. I pay tribute to my hon. Friend the Member for Gloucester (Mr. Dhanda) for the excellent work he did as a Minister in the Department for Communities and Local Government. As he pointed out in his contribution, the south-west is the only region in the country with above-average house prices and below-average incomes, which is why the independent panel concluded that more than 28,000 homes would be needed each year. We considered that carefully and concluded that slightly higher increases will be needed if the region is to make real progress in tackling affordability and housing supply issues and ensure that housing supply is closely aligned with the likely location of employment opportunities. I shall expand on that point in a moment.

A key point is the current financial, economic and banking difficulties that Members have mentioned. In light of those difficulties, which are extremely turbulent and traumatic, it is important to focus on the long term as well. For the past generation or so, there has been a huge imbalance between the demand for, and supply of, housing. As a population, we are ageing, and that problem is not going to go away, regardless of the current difficulties in stock markets throughout the world. We need to address the issue through housing supply, and one way in which we can do so is through the regional spatial strategy.

Martin Horwood: I am tempted to challenge those numbers on the basis that first, they are unreliable, as many academics and Select Committees have pointed out, and secondly, they are profoundly outdated, since they are based on growth rates of 2.8 per cent. to 3.2 per cent. over 20 years, which are now fantasy. In the closing minutes of the Minister's response, will he answer the question that my hon. Friend the Member for Northavon has just put to him? In the absence of a sequential test, the impact of those numbers in a housing downturn means that developers are going straight for the greenfield sites first. My hon. Friend therefore asked what we should say at those public inquiries to developers who want to build first on the most sensitive sites.

Mr. Wright: Let me address that direct point now. I am grateful to the hon. Member for Northavon for providing prior notice of the question, which I know is of concern to him. He knows about planning policy statement 3, which puts local authorities in the driving seat in respect of development in their area. All hon. Members agree that a plan-led development system is the right approach, as opposed to something with a short-term, speculative and ad hoc nature. Having said that, I do not think that a sequential test is the right approach, because it would be rigid and old-fashioned, and it would say, "It would be wrong to provide that site for development before that site." If we can be as flexible as possible, certainly during the current economic difficulties, that is the approach to take.

Let me elaborate on that point. The key test, which must be established, is whether a site is suitable for development. [HON. MEMBERS: "No!"] Let me finish. Part of the test is whether the development is on green belt, which is not usually suitable, because in the planning system there is a very strict presumption against development on green belt; whether it is on greenfield, which could be suitable; or whether it is on brownfield, which, for the past 10 years, has been our preferred option. We had a policy—a target—whereby 60 per cent. of all developments would be on brownfield sites, and we have comfortably exceeded it. That is a major achievement, and something like 75 per cent. of all new development is on brownfield sites. That is the continuing policy of this Government; it is something that we continue to see.

Mr. Laurence Robertson: I know that the Minister has limited time, but he has not even mentioned the flooding issue, whereby the building of thousands of houses is proposed in flood-risk areas. The House will remember that in Tewkesbury last year, three people died and hundreds were kept out of their homes for more than a year because of the flooding. Building thousands of houses in that area will be disastrous.

Mr. Wright: I shall come on to that point, but first, I want to respond the point about green belt, because it has been mentioned several times in the debate. As hon. Members have said, from the Prime Minister downwards, we remain absolutely committed to preserving, enhancing and increasing the proportion of land that is accorded green belt status. The regional spatial strategy simply states that any partial review of the RSS should include a green belt review, with a particular view to determining whether additional land should be designated as green belt at all of the region's three green belts.

I shall respond very quickly to the point that the hon. Gentleman made about flooding. I recall a similar discussion during the Adjournment debate before the summer recess. I think that we have a very strong policy on flood protection. It has been increased and enhanced by planning policy statement 25, and I pay tribute to my hon. Friend the Member for Gloucester not only for what he did as a Minister, but for his hard work as a constituency MP. I think that—

Robert Key (in the Chair): Order. We must move on to the next debate. *[Interruption.]* Will Members and the public leave the room quietly?

Persistent and Youth Offenders (Northamptonshire)

12.30 pm

Mr. Philip Hollobone (Kettering) (Con): I should like to thank Mr. Speaker for giving me permission to open this debate on policing persistent and youth offenders in Northamptonshire. I also welcome the Minister to his new post. I very much hope that my hon. Friend the Member for Wellingborough (Mr. Bone), who is in the neighbouring constituency to mine, and I will have many such occasions—*[Interruption.]*

Robert Key (in the Chair): Order. Will the members of the public leaving the room stop talking and leave quietly and quickly?

Mr. Hollobone: I very much hope that my hon. Friend and I will have many occasions on which we can challenge the Minister about Home Office issues, because crime and the criminal justice system are very important issues for ourselves and our constituents in Kettering and Wellingborough.

Our local policemen and women in Northamptonshire do a great job and I should like to thank them publicly for their efforts. Crime is a major issue for local residents and Northamptonshire police does a good job of catching the relatively small number of persistent and prolific offenders who commit the bulk of serious crime in our local community. However, all too often the courts fail to take those offenders' crimes as seriously as they might, all too often the offenders are released on bail, despite being repeat offenders, and nowadays those offenders never serve their time in jail in full.

The second part of the debate is about youth offending. With regard to youth offenders, there are far too many 14 and 15-year-olds committing antisocial nuisance and lower-level crimes, such as criminal damage. Dealing with them is taking up far too much police time when the police have better things to do, especially with regard to the more serious crimes that are being committed.

At the moment in Northamptonshire, the police force is not able to issue fixed penalty notices or penalty notices for disorder to those offenders, despite the fact that it is technically possible for it to do so under the law. My argument is that this policy should be changed and Northamptonshire police should be empowered to issue those penalty notices, so that younger troublemakers, especially the ringleaders, can receive stiff fines for their behaviour, and my view is that if they cannot afford to pay those fines, their parents should be made to cough up. Maybe then the parents would take far more interest in what their children are up to.

This debate is really in two parts. First, it is about prolific and other priority offenders, and secondly, it is about youth offending. With regard to prolific and other priority offenders, who are known in the Home Office and elsewhere as PPOs, it is estimated by the Government themselves that approximately 10 per cent. of the active offender population in this country are responsible for half of all crime and that a very small proportion of offenders, about 0.5 per cent., are responsible for one in 10 offences.

That is very much the situation in Northamptonshire. The other day I was talking to the excellent chief superintendent for north Northamptonshire, Mr. Paul

[Mr. Hollobone]

Fell, and he confirmed to me that there are about 35 PPOs in the north of the county, who commit the bulk of the crime in Kettering, Wellingborough, Corby and east Northamptonshire. The police know who those people are. They know their name, address, date of birth—they know everything about those people and they know that they are committing the bulk of acquisitive crime. However, although the local police are encouraged by the Home Office to target their efforts on those individuals, when they catch them and present them before the courts, all too often the label of "prolific and other priority offender" is not recognised by the judicial system in the same way as it is recognised by the police. It is amazing that even now those PPOs, when they are brought before the courts, are all too often being given bail, only to commit further offences while they are on bail.

I like the Government's PPO programme, which the then Prime Minister launched in March 2004 as a cross-government initiative to tackle those offenders who have been locally identified as committing the most crime and causing the most harm to their communities. It is a crime reduction programme with an emphasis on reducing reoffending.

Across England and Wales, there are now 10,000 individuals who are identified as PPOs and a further 4,000 young offenders who are deemed to be most at risk of becoming tomorrow's PPOs. The Government's PPO programme is split into three strands: prevent and deter, catch and convict, and rehabilitate and resettle. I am delighted that in Northamptonshire Mr. Fell and his colleagues are being extremely assertive in the way that they approach the policing of those PPOs. For example, in Kettering I believe that there are at the moment two PPOs who the police are literally following around all day, every day. That is quite right and it has my whole support. The message to those offenders is, "We know that you are a criminal, we know that you want to commit further crime and we are literally going to walk behind you or drive behind you until you stop your criminal activity".

Also, Northamptonshire police is very good in its efforts at rehabilitation and resettlement. There is an excellent country-leading initiative in Northamptonshire called the Rose project. It has had huge success in getting repeat offenders out of their criminal lifestyle. That programme needs to be expanded and supported, but it is still extremely successful.

I have previously drawn attention to the fact that too many PPOs are let off on bail. I raised it with the Solicitor-General on the Floor of the House on 19 July 2007 and on other occasions, and I very much hope that the Home Office and the Ministry of Justice can achieve greater co-ordination about the pursuit of PPOs, not only through the Home Office side of the equation—that is, the policing of them—but through the court system and the justice that is applied to them. At the moment, it is fair to say that there is a gap there, when those offenders get to court and in the way that they are treated.

Mr. Fell, the chief superintendent of north Northamptonshire, has confirmed to me that in north Northamptonshire it is that relatively small number of PPOs who are committing a significant level of what he called "serious acquisitive crime". In other words, they are the people in Kettering, Wellingborough, Corby and east Northamptonshire who are committing the burglary of dwellings, vehicle crime, theft of motor vehicles, theft from motor vehicles and robbery offences. If those 35 individuals were banged up and kept in jail, the number of such crimes in Kettering and in the local area would decrease dramatically.

Mr. Fell has also told me that he is concerned that many of the PPOs who are dealt with under the justice system receive sentences of less than 12 months. Therefore, even when those PPOs are convicted, they are not put behind bars for long enough and if they are sentenced to less than 12 months, on many occasions they are not subject to mandatory licence conditions upon release from custody. That can make it more difficult for agencies other than the police to engage with them in a meaningful way upon their release from custody.

There is also concern locally that, with the current overcrowding situation in prisons, it is increasingly evident that not as many PPOs are being sent to jail as ought to be the case. There are two recent examples of this in north Northamptonshire in the basic command unit area, where offenders have been charged on multiple occasions and received multiple sets of bail for acquisitive crime, including robbery, shoplifting and house burglary.

The second part of this debate is about youth offending. My argument here is that basically the Government have the weapon that the local police in Northamptonshire need to tackle youth offending effectively. That weapon is penalty notices for disorder, or PNDs. The Home Office introduced pilot schemes in four police force areas between August 2002 and September 2003. The pilots, which were for issuing PNDs to people aged 16 or over, were evaluated and two reports were produced. The pilots were generally regarded as a success, so the scheme was rolled out progressively during 2003-04 to all police forces in England and Wales.

In legislation passed in the House in September 2004, the scheme was further extended to 10 to 15-year-olds, but pilots of PNDs for 10 to 15-year-olds are now operating in only seven police force areas: the British Transport police Birmingham division, Essex, Lancashire, Merseyside, the Kingston division of the Metropolitan police, Nottinghamshire and West Midlands. Under the juvenile PND trials, the penalty is £40 for higher-tier offences and £30 for lower-tier offences, and the parent or guardian is liable for the penalty if the youngster cannot pay. Upper-tier offences include throwing fireworks; destroying or damaging property; behaviour likely to cause harassment, alarm or distress; and making false alarm calls. Lower-tier penalties apply to offences such as being drunk in the highway, public place or licensed premises, throwing stones, and leaving and depositing litter.

My message to the Home Office is that I would very much like the pilots to be concluded and extended across England and Wales. Please, may we have that system in Northamptonshire? Every Northamptonshire police community support officer and police constable I have ever spoken to says, "Yes, Philip, we would love to be able to issue penalty notices to troublesome 14 and 15-year-olds." They are frustrated that they cannot do that. The system works, and, especially if it can be applied to the ringleaders of small groups of offending youths, the message really will get home.

The Minister need not take just my humble advice. The Secretary of State for Justice and Lord Chancellor himself backed my call. During Justice questions in the House on 29 April 2008, in response to a question that I put to him, he said that he would

"work with the Home Secretary to encourage forces to issue fixed penalty notices to under-16s in appropriate circumstances, because the experience in my area, in Lancashire, is that FPNs"—

fixed penalty notices—

"work effectively."—[*Official Report*, 29 April 2008; Vol. 475, c. 148.]

The Lord High Chancellor of England himself is saying that the system works.

On behalf of my constituents in Kettering, I ask the Home Office Minister, please, let us have this system in Northamptonshire. It would be a valuable weapon for our local police officers, who would be able to deal far more effectively with troublesome youths. Parents will get stung in the pocket with fines if the youngsters themselves are not made to pay. We badly need this effective weapon.

12.43 pm

Mr. Peter Bone (Wellingborough) (Con): I am grateful for the opportunity to take part in this debate, and I appreciate the Minister and my hon. Friend the Member for Kettering (Mr. Hollobone) giving their consent. My hon. Friend has on many occasions led debates on policing in Northamptonshire. He does an extraordinary job on behalf of his constituents and the whole of north Northamptonshire. In case the Minister has not had enough of Northamptonshire police after today, I am sure that he will be back tomorrow for my debate on the performance of Northamptonshire police. I am not saying that this debate is the warm-up, but that he should come back tomorrow for the conclusion. I will be brief so that the Minister has a chance to reply.

I agree entirely with the analysis of my hon. Friend the Member for Kettering, but the problem is that there are 35 prolific and priority offenders but only two of them are getting full-time, in-the-face supervision by the police. It works, but of course 33 others are getting away.

The problem is a lack of police on the streets. If the Minister thinks that that is just a wishful expression, may I give him some Home Office figures that were provided in answer to a written question to the Home Secretary? In 2004-05, 15 per cent. of Northamptonshire police officers' time was spent on patrol. That figure is extraordinarily low, but it was actually close to the national average of 15.3 per cent. However, if we turn to the figures for 2007-08—the latest available—we see that the national figure has, unfortunately, gone down to 13.8 per cent., and just over 10 per cent. of Northamptonshire police officers' time is now spent out on the beat catching criminals and deterring crime. If we are ever to tackle this problem and really get to grips with it, we must have more police officers on the street. It is no good saying that we are going to deal with PPOs if we do not have the officers out there to do it.

In Wellingborough and Rushton surveys, crime is consistently the No. 1 issue. The reason it is the No. 1 issue on my patch is not because of burglaries or knife or gun crime but because of the antisocial behaviour of what I rather like to call yobs, thugs, vandals and arsonists. They are on the street causing problems to my constituents. This is not minor crime; it is real crime, and unless we get more police officers on the streets, we will never deal with it.

12.47 pm

The Parliamentary Under-Secretary of State for the Home Department (Mr. Alan Campbell): It is a pleasure to serve under your chairmanship, Mr. Key. As a preface, I warn hon. Members that this is the first time in three years that I have said anything other than, "I beg to move that this House do now adjourn." I have been in my post for 24 hours, so I hope that hon. Members will understand that as I make my remarks.

I congratulate the hon. Member for Kettering (Mr. Hollobone) on securing this debate about policing persistent and youth offenders in Northamptonshire. I am pleased that he welcomes the Government's approach to fixed penalty notices. The Government are keen to see fixed penalty notices used and rolled out; we believe that they will save police time, but most importantly we believe that they will be effective in bringing about the changes that the hon. Gentleman, and all of us, wish to see.

On Northamptonshire's position regarding fixed penalty notices, I will take it away and look at it. I have listened carefully to the strong case that the hon. Gentleman has made this morning and I will correspond with him in future.

Tackling persistent offenders—those who cause havoc to the communities in which they live—remains a real priority for this Government and it will be a priority for me as a new Minister. That is why this matter features explicitly in the Government's crime strategy and in the current public service agreements that we have set out. The hon. Gentleman has a proven track record on raising issues about persistent offenders in his constituency on previous occasions. The Government's position is clear. I welcome the hon. Gentleman's welcoming the Government's approach on prolific and priority offenders.

In 2004, we set up the prolific and other priority offender programme, as a successor to the persistent offender programme, to enable local areas to target those offenders who cause most harm to their local communities: the very offenders the hon. Gentleman has mentioned. In the wider context in which we discuss this matter—I am sure that we will come back to it tomorrow in the debate secured by the hon. Member for Wellingborough (Mr. Bone)—there has been an increase in police funding in Northamptonshire, which has benefited from an increase in total Government grants from £52.7 million in 1997-98 to £88.3 million in 2008-09, which is a 67 per cent. increase in cash terms and a 27 per cent. increase in real terms. I have listened to what hon. Members have said. However, there has been an increase in police numbers during the time I am talking about. At the end of March this year, Northamptonshire had 1,264 police officers—an increase of 87 officers from March 1997—as well as 159 police community support officers.

The police are at the forefront of tackling crime and offending. I am sure that the hon. Member would want to join me in recognising all that they do to drive down crime and increase public safety. Her Majesty's inspectorate of constabulary said of Northamptonshire in September

[Mr. Alan Campbell]

this year that the force had made considerable progress in delivering both neighbourhood policing and the wider citizen focus agenda. Again, we should congratulate the force on that.

Tackling reoffending is not a matter for the police alone. Clearly, the police, the Crown Prosecution Service and the courts together have a clear role in bringing all offenders, not just prolific offenders, to justice and to ensure that they receive appropriate and proportionate court sentences.

The hon. Member for Kettering mentioned the status of offenders as prolific and other priority offenders when in court, which he has mentioned previously. As he knows, the view of the judiciary is clear: it is not the label of prolific and priority offender that is important to the court when it sentences an offender but the defendant's full offending history and the risk of reoffending that are critical, and those matters can and should be laid before the court in the pre-sentence report. The same principle applies to court processes for deciding bail. It is the factors that have led the police and their partner agencies to select the individual offender as a prolific offender, rather than the label itself, that should be used by the police in support of a remand application. That can include details of previous convictions that it is proper, fair and relevant to put before the court. I take seriously the hon. Gentleman's point about closing that gap to ensure that the agencies work together, so that the courts come to the conclusion that we want them to reach. I understand the frustration of some of his constituents when they do not see that happening.

Research and evidence tell us what all or most hon. Members of this House will know. Within the overall population of people who may commit a criminal offence, some do so more often than others and some do so more seriously than others. There is inevitably a small hard core of offenders who commit a disproportionate amount of crime. That is why the Government launched the prolific and other priority offender programme in 2004, which is intended to identify that small hard core, to deal with them effectively through the criminal justice system, to bring them to justice for the crimes that they commit, but also—we need to consider a slightly different approach to that advocated by the hon. Gentleman—to provide the interventions required to change their criminal lifestyles and reduce the continuing revolving door of criminality and punishment.

The hon. Gentleman mentioned persistent criminals who are sentenced, sometimes, to terms of less than 12 months and who come out and reoffend. In all honesty, we have to look at that issue to see whether that is the appropriate way to address their behaviour: if they are going to offend again, even if they are locked up for a longer period the next time, is that the appropriate way to address their behaviour, or are other options available?

Since the end of 2004, prolific and other priority offender schemes have been running in every crime and disorder reduction partnership area in England and in every community safety partnership area in Wales. This is about the police working in partnership, but I pay tribute to everyone involved, including police officers, probation officers, local authority partners and others, who are making a real difference to their local community. These schemes can and do work, which is why, for example, Northamptonshire police and the relevant crime reduction partnership support delivery of the programme in Northamptonshire.

Nationally, we know from our performance data that, in the year from April 2007, more than 1,600 offenders were taken off the prolific offender programme because they had stopped or significantly reduced their offending. The national evaluation of the prolific offender programme, published in 2007, suggested a significant impact on reoffending among those first targeted by the programme: a 62 per cent. reduction in convictions over their first 17 months.

I should hate anyone listening to this debate to go away with the idea that it is a custodial sentence or nothing, or to get the idea that if prolific offenders are not specifically targeted by the police—many of them are when they are back on the streets—they are somehow outside the system altogether. In fact, they may be the subject of all sorts of other conditions. Hopefully, some of them are not being targeted because they are not committing crimes and are not going on to commit crimes, although perhaps that is hope over experience.

Often, custody is the appropriate response, but it is most important to ensure that the offender receives the sentence that balances both the need for punishment with appropriate conditions to tackle their reoffending behaviour. The probation service makes informed recommendations to the court through the pre-sentence report and some prolific offenders will receive community sentences, but with the right conditions to ensure that they are effectively managed in the community and with the right interventions to tackle the risk of reoffending. This is not a soft option; the statistics demonstrate that this approach works.

To enable local areas to continue to benefit from this work, we included the prolific offender programme specifically as one of the Government's 198 national indicators. Those indicators, collectively, reflect the Government's national priority outcomes for local authorities working alone or in partnership. They were announced as part of the 2007 comprehensive spending review, following the local government White Paper "Strong and Prosperous Communities". The inclusion of the prolific and other priority offender programme as one of those indicators is a clear demonstration of the Government's continued support for the programme and the priority that we attach to its delivery.

Local areas select their own priorities in consultation with regional government offices. These priorities, as the hon. Gentleman knows, are set out in the area's local area agreement. With every local authority area selecting up to 35 indicators, I am sure that, as he has said, we all welcome the fact that Northamptonshire has included the prolific offender programme indicator in its agreement. What that means for Northamptonshire, in practical terms, is that it has signed up to an improvement target to reduce reoffending among those offenders that the local agencies classify as prolific or other priority offenders by 19 per cent. in the course of the current year.

Containing the behaviour of problematic offenders will have a positive impact on the quality of life for the hon. Gentleman's constituents. Additionally, reducing reoffending by prolific and other priority offenders

is a key partnership outcome identified in the Northamptonshire local policing and performance plan for 2008 to 2011.

This is not the end of the story. The hon. Gentleman spoke about the problem of young offenders in his constituency and I understand the issues that he raised. However, there is a wider issue to consider. Tackling today's prolific offenders may have, and does have, an immediate and positive impact that cannot be underestimated. But if we are to sustain that impact, we need to identify the next generation of prolific offenders, wherever possible before they begin offending, and certainly before offending has become a way of life for them. This is very much the focus of the youth crime action plan that the Government published in July.

I will not run through all the specifics of the youth crime action plan, but as I have been talking about the prolific and other priority offender programme, I will just mention that this programme includes a strand of activity intended to prevent and deter the next generation of young people from becoming tomorrow's prolific offenders. Youth offending teams play a key part in delivering the prevent and deter strand of the prolific offender programme and that is fully aligned with work being undertaken by the Youth Justice Board to deliver a new risk-based approach, which will ensure that interventions for young offenders are tailored to the individual and based on an assessment of their risks and needs. I know that this approach chimes with the work already being done in Northamptonshire, and it is a key part of what is done in working with the police, housing providers, education providers and the youth offending service.

Tackling today's prolific offenders can have immediate impact, but if we can successfully intervene now and prevent the next generation from following in their footsteps, then the benefits to the community are probably inestimable.

National programmes and initiatives are only ever as good as the willingness, ability and capacity of local partnerships to deliver. There is a clear role for central Government in helping to facilitate partnership delivery against clear outcomes set out in an area's local area agreement. We will continue to do that.

I am grateful to the hon. Member for Kettering for securing this debate and I hope that we can continue the dialogue that we have started today. My door is open in the same way as my predecessor's door was open. I hope that the hon. Gentleman will join me—should I be joining him?—in praising the work of his local police and partnerships for all the work that they have done and all the work that they will go on doing in the future.

Local Government Standards Boards

1 pm

Dr. John Pugh (Southport) (LD): You will be aware, Mr. Key, that I applied for this debate before the recess, so I had a chance to prepare a Castro-like peroration, which I have had to condense to a mere 20 minutes or so.

How we handle complaints about councillors—their reputation and integrity—is a big subject. I think we all agree that there was probably never a time when there were no complaints, every elected representative was considered to be a pillar of the community and integrity was presupposed, but there have been eras with less scrutiny and transparency than today. In Southport, we had our own council for many decades, but even that council had unfortunate episodes featuring a certain Mr. Poulson and prominent councillors, some of whom I am sad to say were Liberals and got themselves into trouble. Some of them went to jail.

I was a councillor for 13 years, party leader and eventually council leader. I can honestly say that during my time on Sefton council, which now covers Southport, I detected no corruption and was genuinely impressed by the rigorous checks and balances, particularly when finance and contracts were involved. During that period there were plenty of development and contestable planning applications, but that may not have been the pattern elsewhere, although I believe that it was the general pattern throughout the UK. It was probably less obviously the pattern where councils were a one-party state, and decisions were not necessarily made in the open, and transfers of political power were not seriously contested or were a foregone conclusion.

I do not deny that during that period there was a litany of sad cases in journals such as *Private Eye*, which detailed some of the things that went wrong, but my view was that councillors are genuinely people of integrity by and large, and that councils are generally free of corruption. Notwithstanding that, I have encountered—and still encounter—members of the public who assure me that corruption is the norm and seem not to think it insulting to say so volubly, even in the presence of public servants who administer public affairs.

The reality for most councillors is that there is not much glory or respect at the moment, but a lot of hard work, many complaints and sometimes little recognition for addressing those complaints and dealing with them. They accept, by and large, that the ultimate judge of their worth is the electorate, who hire and fire them. For years, that assessment has been thought to be sufficient. Councillors have been subject to criminal, constitutional, civil and administrative law, and ultimately the electorate's verdict. For many years, that recipe stood councillors in good stead and ensured that they were good citizens and that councils were run openly, transparently and legitimately. However, it was thought, as much by the Labour Government as anyone else, not to work too well when elections were uncontested or a foregone conclusion. Some people believed that the Labour Government did not do enough in such circumstances to raise the standards and calibre of councillors. Without being too blunt about it, it was thought that drunks, thugs and venal people were sometimes elected notwithstanding the system.

[Dr. John Pugh]

The idea of a standards board moved up the agenda and eventually became law. An alternative might have been to make the electoral system more vital and elections more contested in areas where corruption had set in or was more apparent. The basic idea of a standards board is to have a code of conduct and a set of desirable principles and qualities for public life that can be modestly stated, agreed and observed by all. That was accepted, at least initially, as a rational solution.

When I first became an MP, I was surprised to receive, as I am sure did other hon. Members, a huge bundle of forms for my surgery from the Standards Board for England inciting people to lodge formal complaints. I could not imagine their all being used legitimately or being required. That annoyed me a little because my observation is that very few councillors merit a formal complaint, although I can think of a few members of the public who could use the whole package and still ask for more.

I raised that experience at the Select Committee on Communities and Local Government when the hon. Member for Oldham, East and Saddleworth (Mr. Woolas) was the Minister in charge. By and large, he agreed that such touting for custom was not the way to proceed because it was a heavy-handed approach and led to complaints being used as an electoral and political tool, with complaints often being made just prior to or during elections, and so on. It also led to overload of the Standards Board and had a lack of clarity, particularly about whether complaints were legitimate because they involved a councillor's public role, or were simply applied to a councillor as a person. Councillors do not have to be saints, but there was lack of clarity about whether they should be judged on their public performance as a councillor or their behaviour as a private individual, and those two aspects of their lives were not always significantly differentiated.

I supported the change in law that suggested that local determination and local committees provided a better process for the less serious complaints. The reasons struck me as persuasive at the time. First, local committees had a better understanding of local government issues, and some of the original members of the Standards Board had an almost unworldly character. Secondly, politically motivated complaints were likely to be scented out fairly early and seen for what they were.

I am questioning now whether local determination is leading to an unacceptable variation in practice, whether the rules, legislation and statutory instruments circumscribing it allow for that, and whether the Government and the Standards Board, which still has an overall watching brief, recognise that and are prepared to tolerate it or wish to redress the balance and deal with the matter.

The best way to illustrate that is to refer again to my local borough, Sefton, as an example. Its references to the local standards committee have reached almost epidemic proportions. Having served on that council, I regard that with bemusement because the vast majority of councillors are decent and some are almost saintly, although I must add that an ex-mayor recently went to jail for a criminal offence, but that is not typical in Sefton.

The worst Standards Board case that I recall in Sefton in recent times is of one councillor threatening to "get" another after a meeting. During the poll tax period when the atmosphere on many councils could be fairly abrasive, I remember a senior councillor threatening to rip the arm from a colleague of mine during a policy and resources meeting, which continued unfazed with no one commenting because the event was not imminent.

The stricture in this case and the Standards Board's activities may be a sign of genuine progress if it persuades councillors to behave more politely and rationally. However, most cases in Sefton never get as far as having a verdict determined or a positive finding reached, usually on the permitted ground that complaints as stated do not justify the expense of investigating them. That is a kind of catch-all clause because it can apply irrespective of the complexity of the case. In other words, a complaint might be quite trivial and easy to bottom out, but because it is quite trivial it might be discarded on the grounds that the expense simply is not worth it, even though the expense might be relatively trivial.

Complaints have sometimes been rejected on the grounds that defamatory comment is robust debate, which leaves councillors genuinely uncertain about what the limitations of robust debate are. Occasionally, a formal complaint has been dismissed simply on the grounds that it is political, without mentioning the substance of the complaint itself. The common thread through many of these cases is the avoidance of a finding of fact, which is a crucial element of the decisions to be made. That leaves a twofold level of uncertainty for members: whether the conduct as described took place or whether it is simply an allegation, and even if the allegation took place, if such a verdict is arrived at, whether it would be a breach of the code. I find that somewhat unsatisfactory. At the end of the day, if the rulings do not leave councillors more certain about where they stand and what to do, the system is not working as well as it could.

This situation has not stopped decision notices failing to make it clear that no finding of fact has taken place. I would like to mention one case. A charge or allegation was made against an experienced and respected councillor, for which there was no finding of fact. In effect, the complaint was thrown out, but the offences that he might have been guilty of, if he had been guilty, were listed at length. In addition, there was a suggestion that he went on a course that might or might not have been appropriate to the issue. There was no verdict or finding of fact, but the person concerned found he could not appeal against what was obviously an acquittal and the political opposition had a feast day in the press at his expense. That is a grotesque failure of natural justice.

I suspect that all that case illustrates is that the local standards committees in Sefton and other places are under pressure, and that is not helped if frivolous complaints emerge or a tit-for-tat culture prevails. I suspect that the experiences of those in Sefton are not particularly unique and that such problems are occurring elsewhere. The foibles of the local committees can be as various and arbitrary as premier league referees are considered to be by football teams, in relation to which the same uncertainty and difficulties prevail. However, there is one important difference, and this is a very serious thing: the reputation of councillors is at stake. That is very important to councillors, not just because

of their electoral prospects, but because of how they feel about themselves and how their families feel about them.

My plea is essentially that the Government should assess, monitor and record this demonstrably imperfect quasi-judicial system. My suspicion is that the standards boards are not setting the clear standards in performance, practice or outcome that we all desire.

1.13 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Sadiq Khan): It is a pleasure, Mr. Key, to speak with you in the Chair the first time that I respond to a debate in my new role. I congratulate the hon. Member for Southport (Dr. Pugh) on securing this debate. He and I served on the Public Accounts Committee, on which he still sits, and I am grateful to have the opportunity to discuss the conduct regime for members of local authorities in England.

I am aware that the hon. Gentleman takes a keen interest in this matter, not only because of his 13 years as a councillor in Sefton, but as a member of the Select Committee on Communities and Local Government. This is the first Adjournment debate on the important issue of standards since the new regime, and it is particularly welcome as it gives me the opportunity not only to get off the mark, but to reassert the Government's support for the conduct regime for local authority members. I would also like to mention the Government's gratitude for the hard work of the Standards Board for England and the work of local authority standards committees. In the same way that premiership referees are not thanked enough, local authority standards committees are not thanked enough, and therefore I would like to thank them this afternoon.

It is now almost six months since the Government devolved responsibility for dealing with the conduct of local authority members to local authorities themselves, so it is an apt time to hold this debate. I congratulate the hon. Gentleman on the tenor and spirit in which his comments were made. To be blunt, there is only one thing in the history he articulated with which I would disagree. As someone who was a councillor for only 12 years, I can say that the events in Wandsworth were nowhere near as flowery and colourful as they appear to have been in Sefton. I cannot think of one occasion on which anyone was threatened with having their arms ripped off, but I will check with other colleagues about whether that happened in Wandsworth.

This debate gives me the opportunity to mention the extremely effective alternative action procedures, which are a fundamental aspect of the conduct regime and generally work well. The vast majority of people elected to serve as local authority members observe the highest standards of conduct, as do the officials who support them. I am grateful that the hon. Gentleman addressed that in his speech and made the point that there might be problems with only a minority of councillors or officials. Trust in our local authority members is one of the cornerstones of healthy local democracy. Voters expect the local authority members for whom they voted to represent their interests and to behave with honesty and integrity, which is why actively promoting high standards of behaviour among local authority members is an important Government objective, and it is not a duty we take lightly.

The strength of local democracy and the delivery of effective services depend very much on elected members' willingness to serve and on their commitment. It would be awful if hurdles and barriers were put in the way to stop people or deter them from coming forward to stand for local government and become local councillors. Many men and women devote their time and energy to the service of their communities as local authority members and, as stated in the recent White Paper, "Communities in Control: real people, real power", we want more people to take on civic roles and to stand for office in their local authority. We also want to ensure that local authority members are an able, enthusiastic and diverse group and that local representatives reflect the communities they serve.

In this country, we have high standards of probity, accountability and objectivity. That is part of the natural expectations of those we vote for, and it is enshrined in the conduct regime. However, we cannot ignore the fact that failings do occur from time to time, and there have been cases, albeit rare, where the conduct of local authority members has fallen short of the expectations placed upon them. When such misconduct occurs, it damages both the community that the local authority members were elected to serve and the wider reputation of local government. The public's trust and confidence in the democratic system as a whole is undermined.

The hon. Gentleman alluded to the conduct regime, which was introduced in the Local Government Act 2000 to promote high standards of ethical behaviour by local authority members. The regime gives a clear ethical framework for local authority members to work within and makes clear to the electorate the standards of behaviour they can expect from those they vote into office. The regime also clarifies what constitutes acceptable standards of behaviour and has introduced an independent, robust and fair means of investigating allegations of misconduct. A regime was set up for dealing with those who have fallen short of acceptable standards of behaviour, and that regime is evolving.

Last year, a revised code of conduct for local authority members was issued to provide a clearer, simpler and more proportionate code—I emphasise the word "proportionate". That code removed barriers to members being able to speak up for those they represent, for example on planning and licensing issues, and it has been well received by the local government world. All local authority members must abide by that code of conduct, which has been in place for over a year now, and my Department—I say that on just my second day in this role—has just gone out to consultation on it. We are asking for views on how it is functioning and how it might be improved. In May this year, the Government fulfilled their White Paper commitment to introduce a more locally based conduct regime for members that co-opted members of local authorities in England. The devolution of responsibility for conduct issues to local authorities provides them with greater ownership of the conduct regime and local conduct issues, and boosts their role in promoting and maintaining a culture of high standards of behaviour in local authorities.

Dr. Pugh: It is probably as much my fault as anyone's, because I was involved in considering the relevant legislation when it went through the House, but there is an omission in that legislation, because if the local regime is not

[Dr. Pugh]

performing well, the national board does not have the remit to receive complaints about it. If people believe, for whatever reason, that the standards board is not up to the job, taking that further is almost impossible. That is an omission in the legislation, and I am questioning whether the ministerial team have a mind to change it in any way.

Mr. Khan: I can tell the hon. Gentleman, on day two in my job, that we shall shortly lay before Parliament legislation to enable the Standards Board to suspend a standards committee's local assessment of complaints functions if it believes that to be necessary. That will be a last resort, following work with the local authorities to help them to improve the way in which standards issues are addressed locally. I hope that when the hon. Gentleman issues his press release, the glory will be shared between him and me for the progress that has been made on day two of my job.

I did not finish the point that I was making before the hon. Gentleman's very useful intervention. The belief in devolving down is shared by all those in local government. I know that he and his party believe in devolving down. The move to devolve responsibility was in line with the 10th report of the Committee on Standards in Public Life, published in 2005, which recommended that high standards of conduct by local authority members are more likely to be guaranteed when most decision making on conduct is undertaken by local authorities. The Standards Board for England, which until that point had been responsible for investigating alleged breaches of the code of conduct, assumed its new responsibility as a light-touch regulator of local authority standards committees, responsible for monitoring their performance and issuing guidance on the conduct regime.

Under the devolved conduct regime, allegations that a member of an authority has failed to comply with the code of conduct are initially assessed by the local authority's own standards committee, as has been said. That assessment is in essence a filtering stage. No decision is taken at that stage about whether a member has, or has not, failed to comply with the code of conduct. Any decision on whether there has been a failure to comply with the code—in other words, a decision about guilt or innocence—is determined in all but the most serious cases by a hearing of the standards committee after a full investigation of the allegation has been undertaken. The more serious allegations of misconduct are determined by the quasi-judicial adjudication panel for England.

I know that the hon. Gentleman is interested in alternative action procedures and I shall now deal with those in slightly more detail. There is no doubt that elected members of a local authority who abuse their position or abuse others should be brought to book. That is what the conduct regime is there for, but often cases are not so clear-cut and can be the result of more complicated, deep-seated issues. Perhaps there has been a breakdown in working relationships, a long-standing dispute over a contentious issue, or a lack of training. The hon. Gentleman will recognise some of the descriptions from the example to which he alluded in Sefton.

Recognising that cases are often not clear-cut, several years ago, Standards Board investigators sought and received the power to use their discretion in certain cases and, after examining them, to recommend an action other than full investigation—typically, facilitating mediation between disputing parties, whether two members of an authority, a member of the public and a member of the authority, or an officer of the authority and a member. The Standards Board considers that such an approach often yields the most successful, long-standing solutions. The hon. Gentleman will be aware of examples in which the complainant is an activist from one political party and makes a complaint against an elected councillor from another political party.

When the new ethical framework was introduced this year, alternative action was therefore built into the system at an early stage. The devolved regime gives standards committees, if they consider that the merits of individual cases make it appropriate, the option to refer a matter for alternative action, rather than investigate it. That means that instead of an allegation of misconduct resulting in a full investigation and possibly a sanction, the matter can be quickly addressed at an early stage through alternative action, such as mediation, training or a review of the local authority's procedures. Under the devolved conduct regime, indications are that about 9 per cent. of allegations result in their being referred for alternative action.

That is not a quick fix, and it will not be right in all circumstances. There is a right time and place for it to be used, but it is a useful tool, as it recognises that a problem has arisen and it attempts to deal with that problem in the most pragmatic way possible. Importantly—this is the nub of the concern that has been raised—such a recommendation does not, and should not, imply guilt. That course of action is consistent with other regimes that deal with complaints about individuals. I should make it clear that I am not advocating that all allegations that a local authority receives should be dealt with by action other than an investigation, or that there should be any default approach. The suitability of alternative action depends on the nature of the allegation. What is, I hope, apparent is that such a measure lends itself to allegations that might be judged to be less serious, where alternative action might be the most proportionate and cost-effective way of resolving an allegation.

Dr. Pugh: There is a difficulty of which I hope the Minister is aware. When someone is charged with a motoring offence and found not guilty, they will not subsequently be advised to take extra driving lessons or something like that, because that would almost imply a not proven verdict. It would imply that there was a belief on the part of the committee that the person was guilty as charged, but it tried to give them a softer deal. There is a difficulty in proposing an alternative course of action that is appropriate to the allegation, if it is true, when the allegation has not been found to be true, because that can leave the person in the worst possible world of having been acquitted on the issue of fact but still, in the eyes of the public, being held to be generally guilty.

Mr. Khan: With respect, is the hon. Gentleman right? As an ex-lawyer, I am all in favour of litigation—as a Minister, I am not, I hasten to add—but there are examples in which people who could receive three points on their licence are encouraged to do a training session to avoid receiving a sanction. In other examples, staff in

Marks and Spencer or other shops may be discourteous and rude, a complaint is made and they receive training to be less discourteous and less rude. There are examples in which training, rather than a stick, has an important role to play. I would expect more of a carrot approach, rather than the stick approach, from the hon. Gentleman.

Dr. Pugh: I want to come back on that. When someone receives three points on their licence, that is because there has been a definite finding against them in the case. They might be offered something as an alternative, and many people would accept that. There is a presumption of guilt, and they are offered something as an alternative, rather than the full penalty. If, however, someone is wholly innocent of a driving offence—their driving has been completely blameless—but they are sent on a driving course after being acquitted, they will feel a bit raw about that, will they not?

Mr. Khan: The hon. Gentleman raises a very important point, to which I am coming—the foundation of guilt. I think that that is the point to which he has alluded in correspondence. I understand that he has concerns that when an allegation is referred for action other than investigation, the subject of the allegation is not afforded an opportunity to have their name cleared. Let me assure him that in terms of the conduct regime, that concern is without foundation.

I do not for a moment underestimate the fact that the subjects of allegation, breach of the code, innocence and guilt are very sensitive matters. Reputations are important in local democracies where the candidate and the voter trade in the currency of trust. However, let me reiterate—this is explicitly stated in the guidance issued by the Standards Board—that if a decision is made to refer a matter for alternative action, everyone involved in the process should be made aware that the purpose of alternative action is not to determine whether an individual has failed to comply with the code of conduct, and it should be clear that no finding of guilt or innocence can or should be made. The hon. Gentleman is right to distinguish the example that was given from one in which there is evidence—for example, in the case of a motoring offence, a camera has taken a photograph of someone speeding through the light.

As I have explained, one of the roles of the Standards Board is to offer advice and guidance about the conduct regime to local authority standards committees. That is an important part of the board's work. A robust conduct regime, trusted by local authority members and the people who vote for them alike, is an essential part of supporting the trust in local government to make local democracy function. I welcome the contribution that the hon. Gentleman has made to this important area, and I look forward to working with him over the coming months and years to improve the system even more.

Housing (Plymouth)

1.30 pm

Linda Gilroy (Plymouth, Sutton) (Lab/Co-op): It is a pleasure, Mr. Key, to serve under your chairmanship, as you are familiar with Plymouth.

Plymouth is the largest city on the south coast of England, with a population of about 250,000. On 1 April 2008 there were nearly 116,000 dwellings in Plymouth, with 77,000 in owner-occupation. That is 5 per cent. below the United Kingdom average. There are some 15,000 homes in the private rented sector, and 22,000 in the social rented sector, of which about 15,000 are owned by registered social landlords.

Plymouth is one of 29 new growth points that are working with the Government to create large-scale sustainable growth in order to take our population up to 300,000 or more. I, of course, welcome the support that comes with that designation. There is a buy-in to the growth agenda across all the key public and private-sector players that, if not unique—I heard the regional spatial strategy debate earlier today while finalising this speech—is certainly unusual.

Plymouth has some award-winning regeneration going on across the waterfront—from Gun Wharf to the Devonport urban village, and from the Mount Wise estate to Millbay and the East End renewal project. Those projects now in progress seem on the whole to be reporting that their plans are set to weather the current global storms in the financial markets, but there is no doubt that plans over the next few years to build on those programmes are already being affected by the current very uncertain and difficult circumstances.

Unemployment in the city has reduced greatly, but it remains the second highest in the region. Average annual earnings are £17,688 and the average house price is £157,000. House prices are more than eight times the average income. Fifty-two per cent. of the working population earn less than £20,000. The income needed for the average priced property is nearly £40,000, and for the cheapest an entry income of £32,000 is needed. With home buying that expensive, it is little wonder that home ownership in the city is 5 per cent. below the national average.

Those circumstances already existed before the profound shocks in the financial system had such a devastating knock-on effect across the world. We are learning how important trust and co-operation are within our systems, and what happens when those values seize up. First-time buyers will, of course, find the drop in house prices welcome; but the truth is that as long as the demand for homes runs ahead of supply, which it will continue to do, the need to build many more homes remains if we are not to return to the huge increases seen particularly in the last few years.

That is very different from the United States, where the housing market is failing for different reasons—a housing surplus, horrendously bad lending practices and the knock-on effects for its financial systems and those of the rest of the world. House prices are falling in the UK because of the global financial crisis, but predictions from the national affordable housing planning unit are that affordability still matters and that the ratio

[Linda Gilroy]

of house price to income in Plymouth will climb to 12 times the average income by 2026—unless, of course, we do something substantial about the problem.

The ambition of the local strategic partnership, Plymouth 2020, is to be recognised as

"one of Europe's finest, most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone".

Housing choice, in the rented sector as well as in the property purchase sector, will play an important part in achieving that ambition.

Three pillars support the overarching strategy. There is the vision for the built environment developed by world renowned town planner David Mackay; there is the local development framework of our award-winning planning team; and there is the plan of the City Development Company, led by chief executive Paul Carrol. The development company was launched recently to deliver the growth in jobs—42,000 of them—to match the growth in population from 250,000 to at least 300,000, identified by David Mackay as being the critical mass at which our community would function better in all sorts of ways. The company was confident at the launch that, despite prevailing circumstances, we could ride the storm.

I flag up some concerns about the regional spatial strategy. The city was pleased with the panel's consideration of the original version, which would have added 8,000 houses and which would have seen the cities of Plymouth, Bristol and Swindon acting as the engine houses for the region. That was very much in line with the Government's stated policy. Somehow or other—I hope inadvertently—the Secretary of State seems to have removed that hierarchical approach and restored 21 communities across the region to a position of equal consideration.

We want to help the Government address their agenda of tackling regional disparities and creating sustainable communities and a big enough supply of homes. However, confidence that the necessary levels of support will be focused on growth points such as Plymouth has been undermined. We want to help the Government, but we need clarity to be restored to the spatial strategy if we are to have the self-confidence and the investor confidence to go forward with our ambitious plans, especially in the present economic climate.

Formal submissions on this stage of the strategy are due in later this month, and I will certainly be putting in a formal representation—as, no doubt, will others. However, I take this opportunity to flag up the issue in the hope that it will be reviewed at the earliest possible stage. Nowhere in the country is as positively engaged with the Government's agenda as Plymouth, but we need consistency in the Government's support for our growth point status. Nor should our growth in population and housing be just about numbers; it must also be about getting the right mix of tenure.

My hon. Friend the Minister knows that, last October, I started an inquiry to consider what was happening in the housing market in Plymouth and what could be done about the circumstances that I have outlined. Today, I want to build on the discussions that I have already had with the Minister and his colleagues on the key issue in the report—how to get some important rungs put back on the bottom of the house buyer's ladder. As I say in my report, "Homes for the future: 21st century solutions for Plymouth", those rungs can be restored by improving the supply of houses in the intermediate market.

Whenever shared equity and affordable housing products come on the market, there is great demand for them. However, the part-buy and shared-equity market is small, and in the sort of market that I have described in Plymouth, it plays a limited role in connection with the affordability issue. For example, two executive civil servants aiming to share a home would still be hard-pressed to afford the joint mortgage or rent and service charge on a typical shared-equity property.

That is not to say that those options do not have an important role to play alongside the new initiative that my right hon. Friend the Secretary of State for Communities and Local Government launched with the Prime Minister, of rent with an option to buy as part of the welcome £1 billion package to support the housing market that was announced on 2 September 2008. As they stand, however, they will not tackle the widening affordability gap, ensuring that the rungs on the bottom of the house-buyers' ladder are within reach of people who would be able to afford to buy in those parts of the country where the ratio of house prices to average earnings is more in kilter.

Difficulties often bring opportunities. Among the dark clouds that presently beset the international financial system, I believe that there is such a window of opportunity—a golden one—to address the issue in Plymouth, much of southern England and perhaps elsewhere. In my report, I sought to bring together the concept of the local housing company and the community land trust. I am grateful to my hon. Friend the Minister for responding to representations from me and from my hon. Friend the Member for Stroud (Mr. Drew) to include a definition of a CLT in the Housing and Regeneration Act 2008.

For such a model to work, the land would need to be gifted—or, in DCLG speak, made into an asset transfer to the community. It would be held in trust and, through mutual co-operative ownership, people would own a share in the bricks and mortar. The homes built on it would become the asset in which the individual invests. It is the value of the land that drives up the cost of home ownership, so such a model would provide for sustainable affordable housing; it would put those important rungs back on the bottom of the ladder and back within reach of those with modest incomes. Other models attempt to create sustainable affordable housing, but none that I know of performs the role of keeping those important bottom rungs permanently within the reach of first-time buyers, who would otherwise be blocked from buying and unwillingly trapped in renting—and which would add to pressures on the rented sector.

The Housing and Regeneration Act 2008 has given legal definition to the community land trust. I therefore hope that Plymouth will give serious consideration to combining the concept of the CLT with the development of the local housing company to make best use of the precious little land that we have for building. A CLT would mean that the land never left the ownership of the community—and now is the time to make that happen.

Although I have put forward the case for CLTs in relation to my inquiry and the specific circumstances in Plymouth, I believe that the question of developing a

permanently affordable intermediate market in housing should take centre stage nationally, becoming a relevant part of our response to the profound shocks that we are witnessing daily in the international financial markets. In the present circumstances, mortgage loans for standard shared-ownership products could become increasingly difficult if not impossible to obtain. Because of the lack of liquidity in the credit markets, mortgage lenders are likely to seek to lend scarce mortgage funds to prime borrowers on the open market who can afford a deposit of at least 20 per cent. At the same time, pension funds and assurance companies will be looking for debt investment secured on good-quality residential property assets, rather than high-risk, asset-backed securities. Mutual home ownership on land owned by CLTs offers the opportunity of a unique and attractive debt investment, secured through corporate loans on occupied residential property assets, which would generate a guaranteed and attractive yield for pension funds and life assurance companies that are seeking to match yields to liabilities on a low-risk basis. Mutual models of home ownership are attractive partly because they have a good track record of payment compliance, and therefore low default rates.

In the new realities of the financial markets in the UK, restoring trust and co-operation are premium considerations, so I hope that the Government will prioritise an examination of the opportunities offered by the model. As well as restoring those important bottom rungs to the house-buying ladder, it can help the economy in the face of the logjams that the financial crisis has created, draw investor funds back into the market and deliver affordable new homes, because of its low-risk nature. The mortgage and financial mechanisms have been tried and tested in Canada.

I hope that Ministers will be prepared to listen to the few people in this country who have experience of the model and that they will prioritise time to understand the detailed financial analysis, which shows its relevance as part of the response to the challenges that we face. We have lost many checks and balances in the whirlwind of globalisation, and the model is one check that can be put back—the situation is crying out for action now. I hope that the Minister will urge the new Minister for Housing to give her urgent and serious consideration to the matter, and to meet me, my hon. Friend the Member for Stroud and the chief executive of CDS Co-operatives, David Rodgers, to explore it more fully.

Plymouth has an enviable track record of making things work. My report mentions the work of the award-winning East End Development Trust and the Pembroke Estate Management Board. Both have been supported by Government funding, which has ensured that the housing developments are more than simply bricks and mortar.

I was unable to attend the regional Homes and Communities Agency meeting in Exeter, but I sent representatives, and was impressed by the new organisation's plans. It was set up under the 2008 Act, which is another good innovation by this Government. Its idea of setting up a single conversation via the local authority, involving all those who are interested in developing housing, including agencies such as health, is good. I was pleased to find in my inquiry that the private sector's role in providing housing to rent, and the way in which the Government have introduced standards—2004 housing regulations are only now being implemented—are driving up quality.

Alison Seabeck (Plymouth, Devonport) (Lab): I congratulate my hon. Friend on securing this important debate. Will the Minister reaffirm the Government's commitment to social rented housing? In the current financial climate, it is essential to my constituents. I should like to place on the record my belief that a vote in support of the stock transfer proposal, which is going ahead at the moment in Plymouth, is vital if tenants' homes are to be improved further and if they are to have a greater say in how their estates are managed. That change, with those outlined by my hon. Friend, are vital for the quality of the housing offer across all tenures in Plymouth.

Linda Gilroy: I agree with my hon. Friend. That is the only way in which to bring quality into that sector of housing in Plymouth, and I support it.

There are some excellent private landlords in the city, and the city council has worked well alongside them to transform the landscape of the traditional private rented sector. Plymouth's award-winning empty homes team has a variety of projects, including the HouseLet programme, and since 2003 they have secured private sector houses for 505 families through a highly successful leasing scheme. That is a model of exceptionally good practice and merits support for growth in the present climate.

I was prompted to look into housing in Plymouth by, among other things, a Saturday morning roving surgery that brought me face to face with a woman who had moved, with her children, five times in five years in the private rented sector. Shorthold tenancies can run counter to the good work that is being done to support families, so I hope that the Government are serious about reviewing them.

Support for voluntary downsizing could also release a lot of family-sized homes. I do not want the forced removal of tenants to smaller homes, and would fight against any such move, but some home owners and tenants who want to live in smaller, lower-cost, better-maintained homes are often prevented from doing so by bureaucracy, petty rules, petty sums of finance, or simply the lack of someone to offer advice and practical help. There are better ways to manage such demand to the benefit of both the tenant who moves and the tenant who is waiting for a larger home. It would be a big help if support services could free up even a third of what I believe to be around 1,000 two to three-bedroomed houses in Plymouth.

The turbulence in the world markets and the credit crunch do not take away the need for more homes in the UK. It is vital that the Government face up to the challenge of maintaining their programme of house building in such difficult circumstances. More than anything, my report brought home to those involved in its drafting that if we do not get things right now, we will condemn a generation to a housing market with limited, and sometimes no, choice. By restoring the rungs on the bottom of the house ownership ladder, we would facilitate both things. By enabling house purchase and shared equity, especially of the CLT variety, the pressure on renting, particularly in the social sector, is relieved.

[Linda Gilroy]

I know that the Minister will continue to engage with and champion these issues. There is a need for a step change in the pace and urgency with which some things that I have mentioned happen, particularly ensuring that the potential of CLTs is released. I am pleased that the Government stepped up and defined CLTs legally, and now is the time to ensure that they happen, which requires further work and commitment from all of us.

1.46 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): It is a pleasure to serve under your chairmanship, Mr. Key, so soon after the bruising debate earlier this morning. I too congratulate my hon. Friend the Member for Plymouth, Sutton (Linda Gilroy) on securing this debate. I recall with affection our debate on growth in Plymouth in April. Its scope was ambitious, and showed the huge growth potential in her constituency. That ambition has not changed over the summer—indeed, if anything, the appetite for ambition and growth seems to be stronger than ever. I congratulate her on her excellent report "Homes for the Future: 21st Century Solutions for Plymouth". She is right to focus on the fundamentals and beyond the short-term turbulence to the medium and long-term future, and on what should be done to meet future needs.

As she is aware, the Government's objective is to ensure that everyone has the opportunity to live in a decent home that they can afford, in a community where they want to live. To achieve that, we need first and foremost to increase the supply of all types of housing, including, in response to my hon. Friend the Member for Plymouth, Devonport (Alison Seabeck), social, market-led or intermediate housing. The National Housing and Planning Advice Unit says that we need to build something like 250,000 additional homes each year to meet the imbalance between the demand and supply of housing, which is caused by social change, longer living and the fact that people move around and live differently.

Although the credit crunch has reduced activity in the housing market to a low level—I shall go on to say how it directly affects Plymouth—the Government are determined to mitigate short-term difficulties and to prepare to ensure that housing delivery resumes as quickly as possible, when the inevitable upturn happens, when conditions allow. That includes ensuring sufficient headroom within the planning system to allow for a rapid recovery of housing supply to meet long-term demand. Major, cross-Government packages of measures to meet the current challenges in the housing market have been announced on 16 July and, more recently, on 2 September. They will do three things: first, they will help first-time buyers; secondly, they seek to minimise the risk of repossessions; and thirdly, they offer greater resources and more flexibility for councils and housing associations to build or purchase properties, which will help to reignite and kick-start the construction industry. The measures will also provide confidence and address the long-term challenges of affordable housing.

Largely thanks to the fantastic leadership of my hon. Friends the Members for Plymouth, Sutton and for Plymouth, Devonport, Plymouth has a very strong record of housing delivery and planning for growth in recent years. I am confident that it will be in a position to respond quickly and effectively to an upturn in housing. For example, house building in the city has trebled from about 400 units a year in 2003 to about 1,200 units a year between 2004 and 2007. The local area agreement set a target of 1,000 net additional houses, under national indicator 154, for the next three years. That reflects the submitted regional spatial strategy before the proposed changes were published in July.

Last year, Plymouth was the first large urban authority to adopt a new-style core strategy, which provided for at least 17,250 extra homes by 2021. It subsequently adopted five action plans focusing on key regeneration areas and, as my hon. Friend the Member for Plymouth, Sutton mentioned, it is in partnership with the Government as a new growth point. The partnership, which includes South Hams, was allocated £3.4 million for infrastructure projects in 2008-09 and a further £6.3 million for the period 2009 to 2011.

As I have mentioned, the credit crunch, which is uppermost in our minds at the moment, has had a major impact on construction contracts in both Devonport and Millbay. Sales have come to a halt, as first-time buyers are unable to access mortgages and developers are therefore reluctant to build. In response, the Housing Corporation and English Partnerships are working with registered social landlords, the city council and developers to restore developers' confidence and ensure that such important developments are delivered. To do so, they are considering making use of the £1 billion housing package to which I have referred, particularly to support the renewed emphasis on investment and flexibility and to bring forward resources for up-front infrastructure.

My hon. Friend mentioned the concern that any support arrangements should not undermine mixed and balanced community objectives, and I agree with her. When I read her report, I was struck by recommendation 17, which states:

> "It will be important for the Homes and Communities Agency to recognise that funding for community development is essential for the success of mixed tenure schemes, and for developing a sense of ownership and pride. It is essential that, if new models of community ownership are to be successful, a key element of this is the development of independent advice on a level that is accessible to all."

I absolutely agree with that, and the importance of sustainable, mixed communities is at the heart of what the Homes and Communities Agency will be all about.

Short-term options such as the rent to homebuy scheme, announced in the July package, are being examined and will help people into home ownership by allowing them to rent a new build property from an RSL at below market rent while they save for a deposit, with the option to buy a share after a specified period. That is an exciting new model, and as we continue to see relatively high house prices coupled with a lack of available credit and mortgage finance, it will come increasingly to the fore as a choice. My hon. Friend mentioned the importance of choice in helping people to get on the property ladder.

In July, my right hon. Friend the Secretary of State for Communities and Local Government proposed changes to the regional spatial strategy for the south-west. You will be pleased to hear, Mr. Key, that I have just returned from hospital after being nursed for the bruises on my

back following this morning's debate. My right hon. Friend has proposed raising housing provision in the region as a whole from some 23,000 units a year, as set out in the submitted strategy, to some 29,600, and raising affordable housing targets to at least 35 per cent. of all housing development or 10,000 units a year. In relation to Plymouth, she has proposed raising provision from 1,500 units a year to 2,000 a year.

My hon. Friend mentioned the regional spatial strategy, and I take note of what she said, particularly about the hierarchical approach to the 21 strategically significant cities and towns in the south-west. As she suggested, the proper way to pursue the matter is to make a written representation to the Secretary of State. Given the quasi-judicial role that I mentioned several times in this morning's debate, it would not be right for me to comment at this stage, for fear of prejudicing my right hon. Friend's consideration of the matter. However, I assure my hon. Friend that the Secretary of State will reflect on what she and other parties have to say before a final decision is made.

Linda Gilroy: I appreciate the position that my hon. Friend is in, but given that we are not quite as mob-handed as in the earlier debate, may I impress upon him how incredibly important the matter is to a city that is ready and willing to build new houses, and needs them to make the city work?

Mr. Wright: I appreciate that fully. The passion about the whole topic of the south-west regional spatial strategy was made clear to me this morning. As I said at the start of my remarks, the ambition for growth seems evident in the city's leaders and is exemplified by my hon. Friends the Members for Plymouth, Sutton and for Plymouth, Devonport. It is quite remarkable, and I am keen to capitalise on it as much as possible to ensure that the growth actually happens.

Linda Gilroy: May I stress also that there is cross-party support for that, which is very important to the continuity of our ambitions?

Mr. Wright: I do not want to hark back to earlier debates, but in the debate in April on growth in Plymouth I was struck by how much my hon. Friends who represent the city are willing to engage and work closely with political opponents for the good of the city. Being able to put aside partisan difficulties to work together for the good of the people we represent is a first-class example of what elected representatives should do, and I pay tribute to my hon. Friends' ability to do that in Plymouth.

I turn now to the numbers, particularly on social and affordable housing. My hon. Friends will know that we are to invest the unprecedented sum of £8 billion in affordable housing in England in the next three years. That is an increase of £3 billion on the previous three years. I have focused on the long-term fundamentals, and our aspiration is to address the imbalance between the supply of housing and the demand for it. Our aspiration remains to deliver 45,000 homes a year by 2010-11 and 50,000 a year during the next spending review period. That will be funded mainly by the Housing Corporation and, within the next few months, by the new Homes and Communities Agency.

My hon. Friend the Member for Plymouth, Sutton made an interesting point about the importance of the private rented sector in addressing housing need, about which I agree with her. She mentioned previous legislation on the matter, and I can tell her that the Housing Act 1988 was intended to achieve a balance between the rights of tenants and those of landlords, and to make it easier for landlords to regain possession. One result was that the sector has expanded, with the number of households living in the private rented sector growing from something like 8 per cent. and falling in the mid-1980s to 12 per cent. now. That demonstrates the fact that the changes have had a positive effect.

My hon. Friend will be aware of the Rugg review. The Government commissioned an independent review of the private rented sector from Julie Rugg of the university of York. It will be about how we can better understand the private rented sector and increase the professionalism of landlords across the board. I believe that the Rugg review will be published on about 23 October, and the Government will examine it very closely.

The theme of my hon. Friend's speech seemed to be how we can help people to get a foot on the first rung of the housing ladder. I have mentioned a variety of ways, but one important one is staircasing and the right to staircase up as and when circumstances allow, in which I am very interested. She will be aware of the Government-funded homebuy scheme, which is sufficiently flexible to enable low-cost home ownership properties to be retained when it is essential and, as an important aside, to meet the needs of purchasers with disabilities. Generally, we want shared owners to increase their equity stake when they can afford to do so, and to move to full ownership. Receipts from the sales of shares are reinvested by housing associations to help other households. However, to retain properties when it is essential to do so, newer shared ownership leases under the new build homebuy scheme contain a right of first refusal. It requires purchasers who have increased their equity stake to 100 per cent., and wish to move, to offer the property back to the provider in the first instance.

I conclude by paying tribute to my hon. Friends the Members for Plymouth, Sutton and for Plymouth, Devonport and by mentioning community land trusts. My hon. Friends the Members for Plymouth, Sutton and for Stroud (Mr. Drew) have been invaluable in pushing forward that agenda. As has been acknowledged, we put a definition of community land trusts in the Housing and Regeneration Act 2008 to help to provide lenders with certainty and confidence. I have no doubt that, thanks to the hard work that my hon. Friends have pushed forward, we will go further and the idea of social enterprise and co-operation will be invaluable in meeting the short-term challenges to provide the housing that we need for the long term in Plymouth and elsewhere.

Question put and agreed to.

Adjourned accordingly at Two o'clock.

Westminster Hall

Wednesday 8 October 2008

[MR. MARTIN CATON *in the Chair*]

Children and Young People with Autism

Motion made, and Question proposed, That the sitting be now adjourned.—*[Claire Ward.]*

9.30 am

John Bercow (Buckingham) (Con): Good morning, Mr. Caton. I welcome you to the Chair, and this rich galaxy of parliamentary talent to our debate. I begin by declaring an interest as the father of a four-year-old boy, Oliver, who has been diagnosed as exhibiting the characteristics of high-functioning autism. In addition, I thank the National Autistic Society, TreeHouse, Research Autism and Buckinghamshire county council for their invaluable briefings for this debate.

Autism is a complex, lifelong neurological condition that affects a person's ability to communicate with and relate to other people. It is estimated that approximately one in every 100 school-aged children is on the autism spectrum. The vast majority, approximately 70 per cent., are in mainstream schools. They are, I am sorry to say, three times more likely to experience mental health problems than their non-autistic peers. Equally, it is estimated that only about 12 per cent. of them end up in employment. The cost annually of that sector of the child population is thought to be about £2.8 billion.

I emphasise that we are talking about a spectrum condition, which implies that there are many variants on the theme. The nature and intensity of the difficulty and the resulting need can and do vary substantially, but to encapsulate the concept I would say that all autistic people have one characteristic in common. They all suffer from the triad of impairments: that is to say, they suffer from problems of social communication, social imagination and social interaction.

In the course of this debate and in my opening remarks, I shall focus on three principal issues. In order to learn and be educated, a child or young person must be safely in a setting in which he or she can do so. It should therefore be a legitimate matter of ongoing and serious concern to right hon. and hon. Members that people on the autism spectrum are disproportionately more likely—to be pedantic and precise, approximately nine times more likely—to be excluded from school than their non-autistic peers. That is a salutary and disturbing thought. Typically, 27 per cent. of children on the autistic spectrum are excluded, compared with 3 or 4 per cent. of their non-autistic counterparts.

Significantly, however, there is an additional and more disturbing phenomenon—not merely exclusion of an official kind but unofficial, informal, sometimes internal and frequently if not invariably unrecorded exclusions of children and young people. I refer in this context to the TreeHouse constructive campaigning parent support project survey report following research conducted between January and July 2007, the results of which, in summary or detailed form, have recently winged their way to the Minister of State. That report found, alarmingly, that 43 per cent. of respondent parents said that their child had been excluded from school at least once, and possibly more than once, in the previous 12 months.

Members, wise and savvy as they are, will know that guidance exists on exclusions, of course. I do not know whether the Minister thinks it is necessary to send the guidance—all 80 pages of it—to schools again to remind them of their responsibilities to cater effectively within the school for the needs of the child. If he is reluctant to do so, which I can understand, I hope he will accept at the very least that memories should be stirred and schools should be reminded of page 15 of the latest guidance—I think it is paragraph 27, but I stand to be corrected if I am wrong—which underlines that unofficial exclusions, even with the parents' consent, are illegal. They are not just undesirable, ill-advised and a failure to cater to the needs of the child but illegal.

Let me give an example of unofficial exclusion, culled from the annals of briefings from the National Autistic Society: a teacher says simply to the parent of a child, "It would be better if he went home." Very often, disability and disobedience are mistakenly and ignorantly conflated. It is incredibly important to get a grip on the distinction between the two.

Mr. Lee Scott (Ilford, North) (Con): Does my hon. Friend agree that one problem is that, as a recent survey by the National Union of Teachers found, 44 per cent. of teachers are not confident teaching children who are on the autistic spectrum? That pressure could lead to some of those exclusions.

John Bercow: My hon. Friend is absolutely right. It is true that work force training—not merely of teachers but of the entire children's work force—is the elephant in the room in this debate. My loyal friend, with his helpful prompt, will not be surprised to know that I shall return to it in due course.

Dr. Stephen Ladyman (South Thanet) (Lab): I agree with everything the hon. Gentleman is saying, but before he leaves the subject of exclusions, may I ask whether he is aware that some teachers, knowing it is illegal to exclude in such a way, will say to parents, "It would be better if you withdrew your child from this school and found another school; then we wouldn't have to exclude", without telling the parent that it would be illegal for them to exclude?

John Bercow: That is both true and outrageous. In addition, it is not uncommon for it to be decided that an awkward, administratively inconvenient, potentially distracting or expensive pupil should be relegated to the veritable dumping ground of a pupil referral unit—75 per cent. of whose occupants have special educational needs—when many of them are profoundly unsuited to that substandard educational provision, which I know the Government are seeking to improve. I agree with the hon. Gentleman.

On bullying, some 40 per cent. of parents of children on the autistic spectrum say that their child has been bullied by other children. Sometimes bullies are excluded from school—temporarily or, in extremis, permanently—but I am sorry to say that sometimes it is not the bully who is excluded but the bullied, again due to the bureaucratic

[John Bercow]

mindset that "it would be better if he didn't distract". Often, children are excluded at key and predictable times, such as just before Christmas, to coincide with a school inspection, visit, play or something of that kind. That is intolerable.

Let us be clear what bullying means. It might be physical or verbal, or through discrimination; it might be abuse, theft or neglect. I think of a parent who told TreeHouse, "My son has been bullied to the point of wanting to end his own life, and he has self-harmed." The Government have published guidance on bullying, as recently as September 2008 and running to 55 pages, on which I congratulate the Minister, but there is a difference between publishing guidance and ensuring compliance with it. We need data to be published. We need regular checks. We need comprehensive area assessments to kick in.

I politely suggest two things to the Minister. First, let us have a theme of anti-bullying, segmented during different parts of the year—bullying of the disabled, bullying of gay, lesbian or bisexual pupils, bullying on grounds of race—that underlines the evil, stresses the strategies available to deal with it, incentivises improved performance and offers arrays of carrots and sticks to deal properly with the matter.

Furthermore, in the course of the 2009 consideration and review of special educational needs provision in this country, to which the Government are already committed, it might be a good idea for Ofsted to look at the phenomena of exclusion and bullying to see how better to address the matter. That would be in the interests of the children concerned and of their families who very often lose work opportunities, have to take time off—sometimes unpaid—to cope with the consequences of having to pick up a child early or have to secure additional help or medical assistance for him or her. We cannot allow such matters to rest.

Liz Blackman (Erewash) (Lab): It is interesting that the hon. Gentleman mentions Ofsted. We will be debating different aspects of children with autism and their learning. Research shows that aggressive measures to target barriers faced by autistic children, such as poor communication and language, can open up the curriculum, which means that they learn far better. The results are astounding. Should Ofsted not look at all the educational experiences of children with autism? In other words, should it not make that a theme for a study across the piece?

John Bercow: It should be the subject of serious, and possibly quite lengthy and well-financed research, as the hon. Lady says. I hope that she will share that wisdom with the wider constituency of Erewash.

I want to move on to the critical subject of the identification of, and support for, children and young people, up to 16-plus, on the autistic spectrum. We should be ashamed that 45 per cent. of parents say that they have to wait a year, or more, from the moment when they flag up their concern about a potentially autistic child to the point at which they receive assistance. What is needed as a matter of urgency is support tailored to the particular needs and circumstances of the individual child. There is no absolute answer to such matters, and of course there is no known cause of autism and indeed no established cure.

Support is of the essence, be it through the use of stress alert cards in the school environment; the use of symbols, pictures or photos; the use of differentiated break times divided up into bite-size chunks, which an autistic child can more successfully manage; the use of designated quiet places where an autistic child can escape the noise, the bustle, the disturbance and anxiety caused to him or her by being surrounded by a large number of other people; the development of social skills programmes; the use of picture exchange communication systems, which have been peer reviewed and judged by the university of Southampton to be one of the most efficacious interventions yet devised; through early intensive behavioural intervention, which has been similarly well reviewed, although it is the subject of some academic and other controversy; or through support in the home. The last of those is critical, because we are seeking a seamless provision of care and effective help for the child. Often a child gets terrific support in the school setting, but then—we are told this by children and parents—when the child comes home, everything falls apart. That interaction and communication between the school and the parent and child is of the essence.

We require a continuum of support, not in any one hon. Member's constituency but across the country—a continuum of provision, of different types of tailored and specified suitable education. In some cases, that will involve mainstream schools with support; in others, it will involve resourced units or departments for children on the autistic spectrum with greater needs, and in others, particularly in the more acute or severe cases with intense and ongoing need, it will involve a special school.

My part of the country—Buckinghamshire—has six resourced units for autistic children at primary level, and two at secondary level, but it is very much a postcode lottery across the country. We know from the research evidence—and we should be concerned about and challenged by this—that 50 per cent. of parents of autistic children judge that their child is in the wrong setting and that autism cases account for 25 per cent. of all the cases that go to the special educational needs and disability tribunal. If right hon. and hon. Members think that the situation is not great at the primary level and tends to deteriorate further at secondary level, they have seen nothing unless they reflect on the phenomenon of the paucity of provision post-16. The Commission for Social Care Inspection said that transition services from secondary school to post-16 are "a nightmare".

I do not want—it would not be right—to allow this debate to degenerate merely into a relentless diet of negativity, and nor, in my judgment, is it principally a matter of partisan conflict between Conservative, Labour and Liberal Democrat Members. We should pay tribute to, champion and celebrate good work. Let me refer, therefore, to the National Autistic Society Barnet branch, working in conjunction with Aimhigher. It provides information, support and guidance to children and young people seeking to enter further or higher education. It has pioneered—it is a trailblazer—fantastic transition schools that assist in this important public policy objective. It runs a disabled students ambassador scheme, and the programme as a whole won the voluntary sector organisation of the year award at the London education partnership awards in 2007. That shows what can be achieved in the interests of the child or young person with application, creativity, vision and persistence.

Mr. Mark Harper (Forest of Dean) (Con): As an example of working in partnership, the National Autistic Society and Gloucestershire county council have funded an autism spectrum co-ordinator, whose job is to work with the council, the primary care trust and all the other providers of public services, to draw them together, to highlight need and to ensure that they deliver those services more seamlessly to the families and children who need them. Perhaps that good model could be rolled out more widely across the country.

John Bercow: I absolutely agree with my hon. Friend, and I would go so far as to suggest that the fact that that model was rolled out was due in no small measure to his perseverance and effectiveness. His self-effacement prevents him from claiming the credit for that important work.

I said earlier, in response to an intervention, that the elephant in the room is the training of the work force. My hon. Friend the Member for Ilford, North (Mr. Scott), has rightly highlighted the NUT survey, which found that 44 per cent. of teachers are not confident teaching children on the autistic spectrum. I can add another statistic: 76 per cent. of respondents said that the lack or complete absence of continuing professional development was the principal barrier to effective provision for this category of children. We cannot be satisfied or indifferent about that, and it requires public policy responses.

Again, I welcome some of what is being done. The Government are to be applauded on the online development of the inclusion development programme, and specifically on the segment of it that will cater to the needs of autistic children or young people from 2009. Similarly, it is right that all new special educational needs co-ordinators will have to be qualified teachers. I congratulate the Minister on the Government's funding of the Autism Education Trust to the tune, initially, of £135,000 and, in the second year, of £320,000, if my memory serves me correctly.

I know the Minister, and he knows me extremely well. I hope that he will not consider me carping or churlish if I say that he and I have different roles in this place. He is a very senior, distinguished, respected and popular member of the Executive, whose responsibility it is to fashion policy and sell it to the nation, aided and abetted by the people behind him, whom it would not be appropriate to name in this Chamber. My role is rather different. I am a humble Back Bencher—more accurately, I am a Back Bencher who ought to be humble, which is not quite the same thing. However, the responsibility of right hon. and hon. Members on the Back Benches—be they on the Conservative, Labour, Liberal Democrat, Ulster Unionist, Welsh nationalist or Scottish nationalist Benches, supported by the plethora of effective campaigning and advocacy organisations in the sector—is not to rest content with modest though welcome achievements, but constantly to raise the bar and challenge the Government to do more on such important matters.

I say to the Minister that there is a difference between a permissive and a prescriptive approach to training. I know that the Government like things to be done at local level and want a degree of flexibility, and it is all very well to say that there are opportunities for, an availability of or potential access to training, but it is another matter to say that it will be provided. It is another matter to say that staff back-filling will take place, that courses will run and that people will attend them. Autism-specific training is necessary not only for teachers and SENCOs, but for all members of the children's work force. It should be a prerequisite of obtaining qualified teacher status that one has had the appropriate training. Half a day's training on special educational needs as part of initial teacher training is not only lamentably inadequate, but a rather wounding insult to that sector of children and young people for whom it is our responsibility to cater. Far more needs to be done, and all SENCOs, be they new or old, should have appropriate training.

I am conscious that other colleagues wish to contribute their pearls of wisdom to the debate, and I strongly appreciate and respect the fact that at this relatively early hour, with a busy parliamentary day ahead of us, so many colleagues have come along. That shows the level of interest in, passion for and commitment to this incredibly important cause.

In some respects, policy is much better. I know that I will get myself into trouble with the usual channels on my own Benches, but, as I think the Minister knows, I long ago gave up any interest in securing a good term card from the Opposition Chief Whip. That is a matter of total indifference to me; I believe in paying tribute where tribute is due. I have every regard for the Secretary of State, who has taken a greater interest in special educational needs than any Secretary of State in recent memory. That is marvellous, and provision is better in some cases. There are plans for more facilities to be rolled out and for greater research, increased investment, peer review and all the rest, but the reality is that too many children and young people have suffered too much, for too long and with too little being done to help them. The time has come when we should say that up with this we will not put. We need to broker a step change in performance and activity.

In common with many right hon. and hon. Members on not only the Conservative Benches but elsewhere, I am an absolutely unstinting admirer of the late and great Sir Winston Churchill, one of the finest figures in the history of our country. He said to the House of Commons, on another subject, but pithily and fittingly for today's debate:

> "The mood and temper of the public in regard to the treatment of crime and criminals"—

one can almost hear him saying it—

> "is one of the most unfailing tests of the civilisation of any country."—[*Official Report*, 20 July 1910; Vol. XIX, c. 1354.]

To that proposition, so eloquently enunciated by the late Winston Churchill, I readily sign up, but I put it to colleagues, and this is the challenge, that if that is true, it surely is true in triplicate of our attitude to and provision for people with disabilities. Let us be explicit, those who have more severe autism often suffer from what might be called a hidden or invisible disability, but they are every bit as disabled as someone who is blind or partially sighted, deaf, mute or deprived of one of their limbs.

We have a responsibility to do more for a number of reasons, first, because it is the right and decent thing for a civilised society to do, and, secondly, because it is in the authentic self-interest of this country that we do so, for otherwise we will waste a vast, untapped, precious resource of talent and potential that could enrich our country. In an age in which a job for life is a relic of the

[John Bercow]

past, and given the premium placed upon knowledge, education and the ability to communicate, it is vital that we do more to assist this category of children. It is not really about changing people's minds, although in some cases it is a matter of refining and improving their attitudes; it is about, in the competitive marketplace of political ideas and potential policy decisions, catapulting provision for autistic children and young people from the back of the minds of Ministers, decision makers and policy framers, to the front. Having so catapulted the subject, it is about keeping it fairly and squarely there into the future. Our sense of common humanity and our commitment to progress demand nothing less. There is so much to do, and people are waiting. They expect us to perform, and we must not let them down.

Mr. Martin Caton (in the Chair): Order. Before I call the next speaker, it is only fair to inform Members that I have eight Back Benchers listed who want to speak. I have to call the Front Benchers to speak at 10.30 am, so the shorter the contributions, the more Members who will get in.

9.55 am

Mr. Tom Clarke (Coatbridge, Chryston and Bellshill) (Lab): I take your point, Mr. Caton, and I will try to be brief.

The fact that right hon. and hon. Members always expect an excellent speech from the hon. Member for Buckingham (John Bercow) should not be an impediment to our saying that we have just heard an outstanding speech. In the 20 or so minutes in which he introduced this important debate, he has outlined the problems, challenges and achievements in this field. I want to deal with one of the last points that he made when he talked about potential. He told us, in that beautifully comprehensive address, that although we have made progress, although there have been achievements and although there are many dedicated people in this field, not least in teaching, this issue is all about society ensuring that the potential of every child is recognised, encouraged and achieved.

I should like to reflect not only on the excellent reception yesterday that was sponsored by the hon. Member for Tiverton and Honiton (Angela Browning), at which she focused on other aspects of this important issue, but on a gathering and art exhibition that I attended recently in Glasgow, at which impressive works of art were on display. We assembled there and speeches were made, and as happens at these occasions—the same was true yesterday—there was a little disturbance; we have come to expect such things. I think that we were all transfixed by an outstanding painting that transcended everything else in that first-class exhibition. However, it was not until four or five minutes into the speeches that we realised that the young woman who was making a little noise was the artist of that outstanding work and showed such potential.

The hon. Member for Buckingham pursued some excellent arguments about getting education right and ensuring that teacher training deals with this issue. That is important, and what the National Union of Teachers has said is significant. Beyond that, it is important that we as a society prepare children, in the same classes and schools as children who experience autism, regarding what they can do and how this is a part of society, not least because nobody can predict what their futures will bring and whether autism might enter their lives. They should be encouraged to take a positive approach to this issue.

I want to deal briefly with the important issue of transition, which emerged in a report by the all-party group on disabled children and their families, which I had the honour of chairing a couple of years ago. I think that the hon. Gentleman will agree that for many children who experience autistic spectrum disorder, that point of transition is absolutely crucial to them and the world in which they live, and it is crucial to their families and their future. I shall not draw the hon. Gentleman into the argument about resources, particularly in Scotland, but I have put it on the record. Apart from planning for the future, in the field of transition especially, more resources must be made available.

The whole debate is about people rejecting the view that out of sight is out of mind. It is about addressing the problems that exist, as the hon. Gentleman did, acknowledging what is being done, being angry about what is not being done and demanding change where it is necessary. Some of us who sponsored the ten-minute Bill introduced by the hon. Member for Tiverton and Honiton received a very interesting e-mail from a gentleman called Jamie Stewart. I have not met him, but he said that what he was about to tell us was not a scientific account of how people react, but an account of the National Audit Office focus group in which he took part. He said that four out of seven parents had experienced divorce, and two had become carers of a partner who had suffered a breakdown. We therefore owe it to parents of children who experience autism, and to the children themselves, to continue to focus on this crucial issue. This morning, the hon. Member for Buckingham has yet again shown how it can and should be done, but I do not expect him to say that this will be his final speech on the issue; he will have to make many more. In doing so, however, he can feel sure that he will have the warmth and support that we offer him today.

10.1 am

John Barrett (Edinburgh, West) (LD): Living with autism is a real struggle for many families, and, for the vast majority of people, it is something that happens to somebody else's family. That is why today's debate is important, and I congratulate the hon. Member for Buckingham (John Bercow) on keeping it on the Government's agenda.

For the people who are directly affected when a diagnosis is made, there is often a lack of information immediately available—where to go, what to do, who to contact, what help is available to families, what they are entitled to and what battles they will have to fight in the years ahead. If one message has come through loud and clear from parents, it is that in most cases they have to fight a constant battle to get even a fraction of the help, support and the education that their child needs.

Yesterday, we heard a very eloquent speech by a 22-year-old with autism who was doing a great job as a trainer of people working with those affected by autism. Unfortunately, her early education consisted of being bullied, spat on, called a freak and leaving her school

because it could not cope with her behaviour. Fortunately, she survived and made progress later in life, so we must ensure that what happened to her a decade or so ago is not what children in the education system, either today or in the future, have to experience.

The hon. Gentleman eloquently laid out the challenges before us, and as the findings of the Bercow review have done much to frame the issue and bring it to the attention of Parliament, I put on the record my appreciation of the work that he has done in the past, his speech today and the work that he will no doubt do in the future. I would say he never could be described as humble.

Many parents of autistic children, desperate for help and support, will be encouraged by today's debate, and we owe it to them to ensure that they are not let down. Although it is vital that we commit more resources to providing better education and more flexible support, that in itself will have a limited impact if parents are not aware of all the help to which they are entitled because, over recent years, much of the talk in education policy has emphasised the need for parental choice. However, owing to the complexity of the system and to a lack of information, it is often very difficult for parents of autistic children to make informed choices, and the Minister's comments on the best way to overcome that information vacuum would be most welcome. Indeed, just yesterday, I was reading about the amount of unclaimed pension credit: it is one thing to provide the help, it is another thing altogether to ensure that the right people receive it.

The importance of accurate information extends beyond the help that we provide to parents, experts and policy makers. Research by TreeHouse into the huge number of parliamentary questions about autism which never receive any answer rightly illustrates the huge gaps in our knowledge. Similarly, the information deficit extends to the lack of understanding among teachers, as we have heard, social workers and even medical experts.

The other point on which I should appreciate the Minister's comments is support for the transition from childhood to adulthood. The support that young people receive as they leave school is critical to their future success, and for many young people with autism, it is a particularly stressful time as they leave behind the support that they have had through school and move on to a new life. For youngsters with autism, even small changes to their routine can be very difficult, so professionals and services need to plan ahead effectively and consult young people and their families to ensure that the young person is able to move on successfully to opportunities that are appropriate to them. Far too often, it does not happen. Only 15 per cent. of adults with autism are in full-time employment, while more than 40 per cent. still live at home with their parents. Much good work is done during school years, but it can all too easily be undone if young people with autism are abandoned by the system when they reach adulthood.

In my constituency, there is a young man with autism called Calum Reavley, whom I recently visited. His parents, grandparents, family and friends, and many more people, often work day and night to give Calum the good start in life that he deserves. Life is a constant battle for education, for respite care and for everything else. Surely, we have the resources to provide the education, help and support that people such as Calum deserve. As his family watch billions of pounds being pumped in to save the financial sector today, they will be asking, "Why is it so hard, and why is there so little help available for us?" I look forward to the Minister's answer.

10.6 am

Dr. Stephen Ladyman (South Thanet) (Lab): I, too, shall be brief, because of the number of Members who want to speak. I shall make just four suggestions, but first I thank the hon. Member for Buckingham (John Bercow) and congratulate him on bringing the issue to us today. I am not sure that he is the man whom I would choose to write a plain English guide, but he is certainly the right man to lead our debate today, and I enjoyed his speech and I agreed with everything that he said.

I became interested in the subject when I first became an MP and three constituents, all with autistic children, came to me. They wanted Lovaas technique to help their children, but their local council said that they could not have it, although it could provide an alternative that was just as good. My constituents decided that one of them would take a test case to a special educational needs tribunal. The council was represented by a barrister and won the case, but it then changed its mind, granted Lovaas technique to the two parents who had not gone to the tribunal and said that it was now ultra vires to provide Lovaas technique to the parent who had gone to the tribunal. That struck me as an entirely inappropriate way to deal with education and parents' requirements. As a follow up, the father who did not receive Lovaas technique provided it privately—at great expense to himself and his family. It put such pressure on the marriage that it broke up, but the child did so well that they were able to go back into mainstream schooling at the secondary stage. That is what can happen if one secures the right support for a child, but it could have been done without all the pressure that was put on that family. Far too many cases go to tribunal, and when one gets there one finds that the council is represented by a barrister, and that, as a parent, it is against the rules to get legal aid for one's representation. My first practical suggestion is therefore that every council should provide an independent and professional friend at its expense to help parents to prepare and present their case. They do not need to be a barrister; they just need to be somebody who knows what they are doing and can help to ensure that the parents' case is properly presented and the playing field levelled up.

Mr. Geoffrey Cox (Torridge and West Devon) (Con): Has the hon. Gentleman considered that his suggestion should apply well before the parents ever get to a tribunal? We should give independent advocacy assistance to parents who suspect that they need a diagnosis of autistic spectrum disorder but do not know where to get it, how to gain access to it or how to argue for it.

Dr. Ladyman: I entirely agree with the hon. and learned Gentleman, and that intervention feeds very nicely into my next point. When the Government made it a requirement that a parent could insist on a mainstream school place for a disabled child, they did not take away the right to insist on a special school place. One of the problems that we have is that there is the wrong balance in many areas between the number of special places available and the number of parents who want their child to go to those special schools.

[Dr. Ladyman]

My second suggestion is that we should undertake a professional and comprehensive needs survey. Let us work out exactly how many people there are with autism who might benefit from mainstream schooling, so that councils can get their provision right, because far too many councils are basing provision on cost rather than on need. May I make another suggestion? As I have already said and as we all know, the earlier that we intervene, recognise that someone has autism and get them the right support that they need, the better they will do. We have a huge opportunity coming up, because the Prime Minister has announced that we will provide a nursery school place for all two-year-olds whose parents want such a place. Why do we not say that everybody who is responsible for looking after a two or three-year-old in nursery education must have autism training, so that they can recognise the signs of a child who has autism and can ensure that that child is referred elsewhere in the education system to get the right sort of help?

John Bercow: Would the hon. Gentleman agree that the call that he has just made, for greater early identification and by implication greater early intervention, is strengthened by the fact that it comes not only from him and other hon. and right hon. Members but from a report that was published only about five days ago by the United Nations Committee on the Rights of the Child, which exhorted the British Government to provide greater early identification? The Government should take a lead from that report.

Dr. Ladyman: Absolutely. I would add that, if we can achieve greater awareness of autism in our nursery schools, we should also teach teachers and doctors to listen to mums, because it is usually mums who spot the signs of autism first but they are usually told, "Go away, you're just being a worrying mum." We should therefore improve the system so that we are actually listening to mums when they raise these concerns.

Finally, the Department for Education and Skills, the predecessor of the Department for Children, Schools and Families, published a best practice guide for autism a few years ago. In fact, two guides were produced; one for health and one for education. The one for education is particularly good and it is effectively a checklist to establish whether a local authority is really doing the things it ought to be doing to ensure that the right provision is available and that the right support is provided for parents. A local authority that has followed that best practice guide provides services at an acceptable level, so why do we not make it compulsory for Ofsted to go through that best practice guide at every inspection of a local authority and challenge it to make sure that it is living up to the guide? At the moment, it is effectively left to parents to use that guide to test their local authority, but it should be done by Ofsted, and the local authority should be forced to come up to the mark.

10.12 am

Mrs. Maria Miller (Basingstoke) (Con): I want to reiterate the thanks that all Members have given today to my hon. Friend the Member for Buckingham (John Bercow) for securing this debate. I know that many residents in my constituency will be following it with some interest.

As the hon. Member for South Thanet (Dr. Ladyman) said, the pressure on families with children who have autism can be incredibly intense and it is a tragedy that so many of them suffer family breakdown as a result.

I would like to focus my remarks on the importance of specialist training for teaching autistic children. In my constituency of Basingstoke, I am fortunate to have a number of schools that specialise in dealing with autistic children and their particular needs. I would like to refer specifically to Dove House school, which offers secondary education for children in the north Hampshire area. It has been commended by Ofsted for its work in providing outstanding teaching for pupils with autism, thus enabling them to make great progress, by a number of means: the environment it creates for children; the tailored curriculum it creates for them; and the deep understanding that the teachers have of the needs of children with autism. Those factors have enabled the school to secure its high commendation from Ofsted for the outstanding progress that its pupils make. When I visit the school and talk to parents who have children there, I find it is those factors that they understand as really critical in providing an outstanding education for their children.

As hon. Members have already mentioned, 70 per cent. of children on the autistic spectrum are educated in mainstream schools. Some parents of autistic children choose for their children to be educated in mainstream schools; some do not, and the hon. Member for South Thanet is absolutely right to say that we need to understand more about the provision of education at local level for children with autism. For some children, it will be better to be in the mainstream sector. However, just because they are in the mainstream sector, it does not mean that the teaching, the sensitivity of the teaching and the school environment and the need to ensure that all those key factors are addressed is any less important.

As we know, TreeHouse does a great deal to campaign on behalf of children with autism and their parents. The report that it issued last month underlined the importance of tailoring education to the needs of the child. Quite worryingly, the report identified that there are still significant problems in delivering that tailored programme within the mainstream sector of education. The report identified that successful inclusion involves training staff about autism, so that the staff can then cater for a child's individual needs and ensure that the correct environment exists for that child. Thus we see themes emerging.

However, as hon. Members have said, the National Union of Teachers' own research shows that less than a third of teachers feel confident about teaching children who are on the autistic disorder spectrum, that two thirds of teachers want training and that three quarters of teachers have identified the lack of professional development as the main barrier to teaching children with autism.

I really welcome the Government's announcement, made during the recess, that additional resources will be made available; I believe that there will be about £10 million more made available for training teachers. Certainly the focus on training SENCOs is absolutely key. It is encouraging that the Government understand the importance of training teachers before they reach the classroom. However, the focus of the Government's announcement was those people undertaking

undergraduate training. As the hon. Member for South Thanet will know very well, those people form the minority of teachers who are coming forward and going into our classrooms to teach children on a day-to-day basis.

I hope that the Minister will be able to flesh out a little some of the sketchy points that were made in the Government press release issued in the summer and perhaps give more details of the emphasis that will be given at undergraduate level to the training those students receive regarding special educational needs, particularly autism. Furthermore, can he tell us what will be done to ensure that people entering teaching through other routes, such as those taking the postgraduate certificate in education, will be given similar support? I am sure that he shares my concern about the continuing problem of retention in the teaching profession. If we are not ensuring that teachers who come into our classrooms have the tools of the trade to meet the needs of all the children in their classroom, we cannot hope to address the problem of retention.

Mr. Robert Flello (Stoke-on-Trent, South) (Lab): Does the hon. Lady agree that this issue is not only about the ability to teach young people with particular special needs, whether it be autism or other conditions, but about the ability of teachers to identify those young people in their classrooms, which means giving teachers the tools and skills so that they can identify them? That is important so that we do not reach the situation that, sadly, one of my constituents finds himself in. He has reached the age of 15 and has only just been identified as being on the autistic spectrum.

Mrs. Miller: The hon. Gentleman makes a very pertinent point. However, I hope that we are planning to have far earlier identification. Therefore, although it is important that teachers at primary and secondary level can identify children on the autistic spectrum, more should be done to identify such children earlier. Furthermore, the point that was made about GPs and the importance of ensuring that they listen to parents is probably just as valid.

Mr. Harper: My hon. Friend drew attention to the need for individual education for children—education tailored to their individual needs. That point highlights the need for the availability of continuing education, because a teacher who has a child in the class with particular needs may well need access to ongoing training, so that they can tailor their teaching specifically to that child. That is particularly important in small schools, where there may not be the other resources that may well be available in a larger school.

Mrs. Miller: My hon. Friend makes a very important point. Given the incidence of special educational needs in general, the need to ensure that continuous professional development is available, to meet the needs of a particular child or a particular teacher in a school, is absolutely vital. I know that my own local authority in Hampshire has a very extensive range of programmes available for teachers to dip into, but across the country there is a great concern that schools can often find it difficult to release teachers for such training. We need to make sure that that is addressed.

The outcomes for children are deeply worrying. We hear that exclusions, underachievement and unemployment are the recipe in the current situation. Obviously, some of the moves that the Government have made are to be welcomed, but there is much more to do. All of us are here today because of our interest in and commitment to children and helping every child to reach their potential, and children with autism especially deserve our help.

10.20 am

Mrs. Janet Dean (Burton) (Lab): I congratulate the hon. Member for Buckingham (John Bercow) not only on securing the debate and his passionate speech but on the work that he has done in raising awareness of the needs of children with speech and language difficulties.

I currently have the honour of chairing the all-party group on autism. I wish to thank the National Autistic Society and the other autism charities not only for their support of the group but for their support of people with autism.

In 2003, the all-party group published a manifesto that set out a 10-year vision for a society in which autism was fully understood and in which people on the autism spectrum and their families were respected and supported, and provided with the same rights and entitlements as other people. Education is central to the fulfilment of that vision. This debate provides a welcome opportunity to reflect on the progress that has been made towards the manifesto's education objectives and the resulting outcomes for young people with autism. We are now five years into the 10-year period of the manifesto, and the all-party group is taking the opportunity at this halfway stage to review progress against the objectives. It will publish a report on it later this month.

We have come a long way over the past five years, and much progress has been made. For the first time, we have records of the number of pupils who have significant special educational needs as a result of autism. As others have said, there has been welcome progress recently on improving training for teachers, with the development of modules on special educational needs for initial teacher training, the development of the Autism Education Trust, which brings together autism organisations to improve support for pupils with autism, and the inclusion development programme, which will provide basic training in autism for practising teachers from next year. Again, as other Members have said, the appointment of special educational needs co-ordinators means that the members of staff who advise and lead on SEN in each school will now be required to have qualified teacher status and training in SEN.

Nevertheless, the all-party group supports what other Members have said this morning. It believes that the Government should go further and that there should be a mandatory requirement for all teachers to have training in autism to ensure that all children get the support that they need.

Despite the advances, children with autism and their families continue to face many difficulties and challenges as they go through the education system. Rates of exclusion and bullying are still far too high. In one terrible example, a child was excluded 77 times in just two years. Some young people with autism are unable to fulfil their potential in exams because the right support is not put in place. Because parents are blamed

[Mrs. Janet Dean]

for their child's behaviour by professionals who fail to understand autism, relationships deteriorate and parents feel increasingly isolated.

In some cases, teaching professionals refuse to accept diagnoses given by health professionals. Many children are unable to attend schools that are nearby and have to travel more than 10 miles to get to a school.

John Bercow: On the rejection of diagnoses, does the hon. Lady share my horror at the teacher who said to a parent, "I don't believe in Asperger's syndrome"? It is not a matter of belief but of fact and of tailoring educational provision accordingly.

Mrs. Dean: I agree entirely. How we can have such comments in this day and age is difficult to understand.

I know that other Members want to participate. To conclude, there has been much progress on improving educational provision since the all-party group was founded in 2000, and the Government are to be congratulated on that. However, there is still a long way to go before we achieve the group's vision of a society in which autism is fully understood and in which people on the autism spectrum are respected and supported, and provided with the same rights and entitlements as other people. Services need to be better joined up, and young people need more effective support to achieve their potential at school and to prepare for the next stage of their life.

10.25 am

Mark Williams (Ceredigion) (LD): It is a pleasure to serve under your chairmanship, Mr. Caton. The hon. Member for Buckingham (John Bercow) described himself as a humble Back Bencher. I believe that many of us felt humbled listening to his introduction to the debate. I would like to reinforce what my hon. Friend the Member for Edinburgh, West (John Barrett) said about the young lady Robin, who spoke at the National Autistic Society's reception yesterday. She overcame many of the education hurdles that we have discussed to become a strong advocate for the rights of those who are diagnosed with autistic spectrum disorders.

Time is short. Without straying into devolved territory, I was going to talk about the great progress that has been made in Wales, which is pioneering an ASD strategic action plan. I believe that it is the first such plan anywhere in the world, let alone in this country. It takes a cradle-to-grave approach to work on autism. I would like to highlight the pioneering work that Autism Cymru, a charity based in my constituency, has undertaken in its inclusive schools project, which seeks to promote an autism ambassador in every primary, secondary and specialist school in Wales. It has instigated a huge amount of training for education professionals: 5,000 practitioners since 2002, including school and college staff and learning support assistants.

I shall deviate completely from my planned speech because time is short. I spent 12 years in the classroom. I want to share some of the frustrations that I experienced as a teacher—frustrations borne, of course, by parents and young people themselves—with the vagaries and inadequacies of teacher training. I endured a postgraduate certificate in education course at an august institution in the west of England—I shall not say more than that. The entire special needs provision in that college amounted to four hours one Tuesday morning, during which Asperger's was not even mentioned.

I then faced the challenge in an ordinary school in the west of England at that time and, latterly, in a school in Wales, of being summoned by the head teacher, told that a child with "communication difficulties" would be arriving at the school, and then very much left to fend for myself. That situation is one in which many teachers find themselves. That is why it is important that we acknowledge the evidence that we have heard from the National Union of Teachers, which recognises that there are serious shortfalls in the provision in schools.

Parents who come into my constituency surgeries are frustrated. A son has been provided with one-to-one support, a laptop and a sloping board, but he lacks the quiet room that he needs for him to achieve his education opportunities. Many parents have a perception that the educational statements that they fought long and hard for are not being adhered to, and there are concerns about transition, particularly from key stages 2 to 3, all of which were identified in the NAS's report "make school make sense". Above all else, many parents have a perception that professionals still lack a basic understanding of ASD. As we have just heard from the hon. Member for Burton (Mrs. Dean), there is still no mandatory requirement for trainee or practising teachers to undertake specific training in autism, despite the requirement of the Special Educational Needs and Disability Act 2001 to differentiate.

When I was writing my speech, I jotted down the word "problem", but it is completely inappropriate. Yes, there is a challenge but there is also a huge opportunity. We know that those who function with Asperger's syndrome are high achievers. There is huge untapped potential that we ignore at our peril and seen, and I am alarmed by that. I have been there myself and seen the child who is not paying attention, who has been distracted, who is sent out of the room. All those hidden exclusions that we heard about at the start of the debate are not being dealt with properly.

Education must involve a partnership between local education authorities, between LEAs and parents, and between children and teachers. That is central to this debate. The Government have made good progress. The teacher training modules and the advice that is being given are laudable, but they do not go far enough. Listening to earlier speeches, I felt like saying, "Been there, done that." The reality of doing the postgraduate certificate course is that I was there but I did not get the training or support that I needed to deliver the curriculum across the board to everybody in my class.

10.30 am

Annette Brooke (Mid-Dorset and North Poole) (LD): I, too, congratulate the hon. Member for Buckingham (John Bercow), who has been his usual analytical self. It was pleasing that he drew out strands of optimism, showing that we can, all working together, make progress.

Like other hon. Members, I shall focus on the importance of the individual child. We know that the condition of

autism has many different manifestations. We really should not talk about "the autistic child" because there is not a typical condition relating to a particular child, although there are certain common characteristics. It never fails to amaze me, on walking into schools sometimes, to find that teachers do not appreciate that many children with autism do not like the hustle and bustle of the playground. That is so obvious, yet still that knowledge is lacking.

I shall make three main points. First, parents are not satisfied. We have heard the statistics this morning: 45 per cent. of parents tell us that it takes more than a year to receive support; 50 per cent. of parents feel that their child is not in the right setting; and one in five children with autism are excluded—67 per cent. of them more than once. These are alarming statistics and we have to translate the talk and guidance into real action.

I am greatly concerned, still, about the information available to parents. In theory, it should be there, but in practice it is not. A recent study by Centre Forum and the Policy Exchange revealed, through a survey of local authority websites, that those authorities were not providing the information that, legally, should be provided. It is very easy to check to ensure that it is there.

I am concerned that parents with children with special educational needs do not have choice. In many cases, their choice is restricted. I have recently come across a situation in which parents of a child without any special educational needs in a mainstream school can opt for a school outside the local authority area and pay the travel expenses, if there is a space available. However, I am told that, if parents of a child with special educational needs want a place in a school outside the local authority area and the authority judges that there is an appropriate space within the local authority area, there will be great resistance to that child going to the other school. There are lots of hidden ways in which choices are restricted.

The breakdown of inclusion and special schools is much more diverse these days. There are some amazing examples of schools that can partition and separate, providing quiet rooms and integrating all on the same site. There are some exciting models and some ways forward.

On exclusions, not only are there alarming stories about the unofficial exclusions on top of the enormously high official exclusion figure, but there is a question about where the children who have been excluded more than once actually end up. Often, pupil referral units have not been staffed or resourced adequately to deal with such a situation. I agree with other hon. Members that early identification, followed by appropriate therapies, is key.

Many hon. Members have mentioned the transition period, which has to be of great concern to us. Parents battle on, yet almost as the end of formal schooling is reached, when they perhaps feel that they are nearly there, even more hurdles and difficulties arise. I appreciate that the Government are putting money into this, but it is a huge challenge for all of us.

I thank the organisations, including TreeHouse and the National Autistic Society, for providing us with many briefings and studies. I also congratulate the all-party group on autism, which has made a big contribution. It is good to look back over a period of time and see real achievement.

Secondly, teachers are clearly not confident. That has come out in many of the speeches made this morning. Some 44 per cent. of teachers are not confident in dealing with autism and 77 per cent. state that a lack of continuous professional development is a real barrier. I am sure that the Minister will tell us about all the progress that is being made in extending teacher training to include more on special educational needs. It is telling that, although we had a mass movement towards inclusion way over 10 years ago, the first teachers concluding their initial teacher training with more modules on special educational needs will not come through until 2011. That is a real gap and a lot of pupils have suffered as a consequence of not matching the teaching with the expectations on teachers.

We have great expectations of teachers, as my hon. Friend the Member for Ceredigion (Mark Williams) said. A teacher may have 30 children in the classroom, including one child with special needs, but they do not have the expertise—*[Interruption.]* Or the support. It is quite a lot to ask of any individual in any work situation. I feel that there should be a teacher entitlement allowing them to be provided with a resource pack, as a minimum, if they have a child with particular needs—and autism would come into that category. We talk a lot about other entitlements, but there is a need to consider teacher entitlement.

I concur that more training across the board is needed, particularly with continuous professional development. It is not enough just to have the courses on offer at local authority level; supply cover has to be available for the teachers to be able to attend. Equally, many other teacher training courses, such as the school-centred initial teacher training, need to include training for autism and general special educational needs.

John Bercow: Does the hon. Lady agree that the cost of early identification and intervention is as nothing by comparison with the massively greater cost to the individual, the family and society in the event of its absence? In other words, let us abandon the short-termism beloved of Her Majesty's Treasury under successive Governments. It is a question of spending now in order, assuredly, to save later.

Annette Brooke: I absolutely concur. We cannot ever debate special educational needs without making that point, because it is crucial.

I welcome the fact that SENCOs are now to be fully qualified teachers. Another recommendation by the Education Select Committee, as it was then, was that the SENCO should be a member of the senior management team. If a SENCO is to be able to pass on and encourage good practices, it is vital that they have a certain status in the school and a position in the pecking order.

Thirdly, we talk about one in 100 children having autism, but let us look around and consider who is affected. The parents are affected, as are the grandparents, the wider family and the neighbours, so many people are touched by autism. That brings me to support for the family. The hon. Member for Buckingham made

[Annette Brooke]

this point well when he asked what happens when a child gets home. That is vital. We talk about the costs of the lack of early intervention, but if we do not put in that support to prevent family breakdown, we have even more tragedies and great costs.

As my hon. Friend the Member for Edinburgh, West (John Barrett) said, we must also be aware of what happens after the school years. My caseload seems to be getting ever bigger in respect of elderly parents with adult offspring with learning disabilities who are finding it so difficult to get enough support. My hon. Friend the Member for Ceredigion mentioned the cradle-to-grave approach, which sounds excellent, and the autism ambassador. It sounds as though we have a lot to learn.

Finally, we should be celebrating the good practice—there are some amazing examples around—but we must have ambitions for every child with autism. The 2009 review, which will be led by Ofsted, will be crucial. I hope that there will be a big input into the terms of reference, because the Government have delayed taking some actions because of that study. We have to get it right. We need the right people carrying it out and they need the right remit.

10.40 am

Tim Loughton (East Worthing and Shoreham) (Con): This has been an excellent debate. It is reassuring to be brought down to earth from the ghastly things that are happening in financial markets throughout the world to talk about such an important subject that affects so many of our constituents, day in, day out, and their families and carers.

I pay tribute to my hon. Friend the Member for Buckingham (John Bercow), who gave another bravura performance. Humility may not come naturally to him, but we were humbled by the expertise and mastery of his speech.

It is good to see such a good turnout, and especially the three former and existing chairmen of the all-party group on autism, of which I have been vice-chairman for some time. The original research commissioned by the all-party group on the experience of early intervention on autism in schools led to further work being done by the Government. The manifesto that we produced a few years ago is as relevant today as it was then, and we look forward to making a lot more progress towards the 2013 target date.

Dealing appropriately with special educational needs and autism is a real challenge and full of problems. The number of children designated with special educational needs in this country is high—more than 19 per cent. or 1.5 million children. That is far higher than the equivalent rate in the United States or France, for example, where it is typically between 5 and 7 per cent. The challenge is particularly great here. Many of those children are designated with autism, and many who are not so designated will have various versions of autism spectrum disorders.

We have heard the figures for the desperately higher incidence of bullying and exclusion, and the figure of 27 per cent. for exclusion is probably an underestimate, because many informal exclusions occur when teachers fail to distinguish between disobedience and disability, which is also problem with the public at large. Good early intervention at school will have lifelong consequence for the child, if we can get it right in the first place.

The Minister for Schools and Learners (Jim Knight): Given what the hon. Gentleman has said about exclusion, does he believe that it is right to retain appeals for exclusions to protect those vulnerable children?

Tim Loughton: That is also a big argument, and we have problems with appeals for disobedient children who are allowed back into class, completely undermining the head's authority. We must work with teachers and heads for children with special educational needs, but the Minister has raised a subject that merits a debate in itself.

The big problem that many hon. Members have identified is the lack of expertise of teachers in mainstream schools in dealing with the children—the elephant in the room. There is also the problem of loss of places in special schools—some 9,000 places have gone since 1997. It is not just a question of inclusion or exclusion, which is an old debate. It is a question of getting the most appropriate participation in education for those children.

We have not talked much about statements today. In many cases, local authorities try to avoid classifying too many children as autistic for special educational needs purposes. The number of new statements has fallen drastically from 36,200 in 1998 to 24,000 in 2008. Concomitantly, the number of appeals has risen by 55 per cent. The problem has not gone away; it is just more difficult for parents to get their children identified, and even more difficult to get through the horrendous minefield that is the tribunal system. We know that about a quarter of the tribunals are for children with autism, who are again disproportionately affected by the system. The whole statementing process is adversarial: it is costly for local authorities to fight; it is more costly for parents to fight if they get to that stage; and it is costly to administer.

John Bercow: And it is time consuming.

Tim Loughton: And it is time consuming. Part of the problem is that local authorities have three roles: they assess the child's needs; they are the paymasters for funding what needs to be supplied; and they are often the suppliers of special educational needs provision. The service is made to fit the cash available; it is not tailor-made to fit the child's needs. Parents must be articulate to navigate their way through the system, and it is often the most deprived who miss out. It can be a very lonely time for parents, which is why my party, through the Sir Robert Balchin commission, has come up with proposals, which we are considering, to replace statements with special needs profiles drawn up by profile assessors—educational psychologists—who are independent of local authorities and who concentrate on early intervention and regular review. We should have special needs profiles that allocate children not only to one designation, but perhaps to one of a dozen support categories, often because they have complex needs that require multiple application. There should be portable funding to mainstream schools, and the assessors should be independent of local authorities and should

be peer reviewed. There should also be a special needs mediation service with tribunals as the last resort, which has also been mentioned today. We want some big changes in the way in which we assess special educational needs, so that the assessments are tailor-made to the children.

Many hon. Members have mentioned support groups such as the National Autistic Society and TreeHouse, which do fantastic work. TreeHouse's constructive campaigning parent support project provides vital help to parents, who often feel alienated and isolated. The experience of school is not just about learning in the classroom; it is about the social interaction of children with their peers, which is why it is so important to concentrate on communication skills from an early stage. It was interesting to hear the hon. the Member for South Thanet (Dr. Ladyman), who is so knowledgeable about the subject, speaking about the importance of listening to mums.

I have a lot of sympathy with the National Autistic Society's ongoing research and its report, "make school make sense", which rightly says that we need more research into the nature of exclusions. We need greater availability of expertise in mainstream and specialist schools. That takes up the point in the NUT survey that three quarters of teachers are ill equipped to look after children with autism.

As my hon. Friends the Members for Basingstoke (Mrs. Miller) and for Forest of Dean (Mr. Harper) and the hon. Member for Ceredigion (Mark Williams), who has expertise in education, have mentioned, we must give greater seniority to SENCOs and provide them with more autism training, which must be ongoing, earlier. We must also look at halfway houses, so that we have some specialist units within mainstream schools. It is not a question of going to a specialist school or going to a mainstream school and hopefully receiving some support. There must be as much flexibility in the system as possible.

Many parents complain about delays in starting support and are left waiting, often at a crucial time, even when their child's special educational needs have been identified and a support package has supposedly been put in place. There is an impact on the classmates of a child with special educational needs. It is not a one-way-street; it is a learning process for other children and adults in society to discover how best to integrate and relate to people who happen to have a special educational need that is autism. That does not make them a different or lesser person. Support for parents and carers is as vital as special educational needs identification for a child, whatever the educational setting.

I was taken by the suggestion from the hon. Member for Ceredigion about the cradle-to-grave pilots in Wales, and the autism ambassadors, which is another way of raising the profile of the issue and its importance in schools. Many hon. Members mentioned the transition points—20 per cent. of children have special educational needs below the age of 16, but that drops to 7.3 per cent. at the age of 16, and worse at the age of 18. They are dropping out of the system, but their disabilities do not go away because they have dropped off the radar. We need better transitions, and we must boost the Government's transition support programme. The right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke), who has such expertise in this area, mentioned that.

It is complicated, but it is essential to intervene early, and to invest to save so much later. We spend around £2.7 billion on intervention for children with autism, but that rises to £25 billion for adults with autism. It is a no-brainer that we should front-load that investment rather more than we are at the moment to prevent so many more problems in the personal experience of those children as they reach adulthood.

10.49 am

The Minister for Schools and Learners (Jim Knight): As the hon. Member for East Worthing and Shoreham (Tim Loughton) has said, we have had an excellent debate this morning. I congratulate the hon. Member for Buckingham (John Bercow) not only on securing the debate, but on showing that he is one of the most able communicators in the House. It is a tribute to him that those abilities inform the passion with which he views those who are lacking in communication skills and enables him to pursue their interests so assiduously in the House.

We have heard speeches from a number of right hon. and hon. Members, and I would love to be able to address all the points that have been made. However, I will try to canter through what I can in the time remaining. As the hon. Member for Basingstoke (Mrs. Miller) has said, whatever views have been expressed, I know that we all start with the aim of giving every child the best possible start in life, the best quality of education and the brightest prospects for their future.

A good education should not be the privilege of a fortunate few; it is something that every child should have. However, some children and families need a bit of extra support to make that a reality. It is the state's responsibility, and one of the priorities of this Government, to create a system that can provide that. Such a system should enable children with autism and other special educational needs to be provided for within mainstream education, if that is what they and their parents want. Those children should be able to have lessons with their peers, make friends, and lead as normal a life as possible. However, such a system should also offer more targeted provision through special schools, if that is what is needed, and be flexible enough to adapt to the needs of children and their families on a case by case basis. A consistent standard across the national picture needs to be maintained, without prescribing a blanket formula from the top.

A growing number of children have been identified with autism over the past few years and local authorities, schools, charities and independent providers have made huge efforts to meet the growing need for specialist provision. More children with autism are receiving extra, tailored provision, and the number of children whose primary difficulty is autism and who have an special educational needs statement has increased by more than 10,000 in the past 4 years. The number of maintained special schools now approved to take children with autism has increased by 140 over the same period. A wealth of new provision has opened up in the non-maintained and independent sectors, and the majority increase in SEN-resourced provision or units in mainstream schools has been specifically for autistic children, or those with social, emotional, or behavioural difficulties. As we know from Ofsted's findings, that provision has led to better outcomes for children with SEN.

[Jim Knight]

Those achievements are considerable and are indicative of a system that is responding to the challenges of an increasing number of children who have been identified with autism spectrum disorders. However, we need to move to a position in which high-quality, readily available services are the norm rather than the exception. As my hon. Friend the Member for Burton (Mrs. Dean) has said, there is still some way to go to achieve that.

The first subject to which the hon. Member for Buckingham turned was exclusions, and, as he said, statistics on that show that children with autism are nine times more likely to be excluded from school than other children. That discrepancy is unacceptable. In "The Children's Plan" we committed to learning from those authorities that are leading the way in reducing exclusions among children with SEN. Our national strategies teams are leading that work and will develop best practice materials, so that we can move towards a more consistent national picture.

The hon. Gentleman also mentioned the problem of informal exclusion. He is right: the guidance makes it clear that informal or unofficial exclusions are unlawful and reminds schools of their duties under the Disability Discrimination Act 1995.

Mr. Flello: When my hon. Friend considers the authorities that are showing best practice in this area, will he also ask his officials to look at whether there is a correlation with the speed at which they produce statements? From my knowledge of my own local authority, I am aware that there can be long delays in getting statements through for a lot of young people.

Jim Knight: I am happy to consider what my hon. Friend has said. I take a consistent interest in matters relating to his city, and I will take his comments on board. In respect of exclusion, it would be remiss of me not to underscore the importance that I place on having an appeal system. For children who have been wrongly excluded because of the much mentioned problems with those in the teaching work force having the confidence to understand the disorders, it is crucial that that appeal right is maintained. I urge the Opposition to take note of that.

The hon. Member for Buckingham also discussed bullying. It is a sad and disturbing fact that young people with disabilities can become a target for bullies. Bullying of any kind and of anybody is unacceptable, particularly when it is directed at those who are most vulnerable. Improved communication skills for autistic children will lead to better social interaction with other young people. Of course, that is the case for every child and not just for those who live with a disability. For that reason, an increased emphasis has been put on social issues and skills in the curriculum. The social and emotional aspects of learning programme is helping all pupils relate to one another better, to understand people who are different from us, to manage conflict better and to treat one another with respect. That is becoming much more embedded in primary schools and has been extended to secondary schools. I regret that the hon. Member for Bognor Regis and Littlehampton (Mr. Gibb) described it as ghastly, because it is a really important programme that runs in our schools, particularly because it tackles such bullying. We are grateful to the National Autistic Society for its help in producing our guidance on bullying involving children with SEN and disabilities. We will be working with the Anti-Bullying Alliance to ensure that its principles are embedded.

Jeff Ennis (Barnsley, East and Mexborough) (Lab): The Minister is probably aware that the Robert Ogden school, which is run by the National Autistic Society, is in Thurnscoe in my constituency. It is the biggest autistic school in western Europe and is a beacon of excellence for autistic provision. Does the Minister agree that such schools have a vital role to play in spreading best practice among surrounding local education authorities and local primary care trusts?

Jim Knight: I certainly do. There is some excellent expertise in the school system and in schools such as Robert Ogden, and I pay tribute to the work that they do. Across the public sector, we should all be learning from and tapping into that expertise. We should network that expertise into improvements generally and into how we treat and look after these individuals and support their parents.

I shall turn to what the hon. Member for Buckingham described as the elephant in the room—the teacher training and support issue. It is important that we increase understanding of autism and its effects beyond the family setting, so that parents do not feel isolated in dealing with it, or when trying to access the support that they need. Although teachers are not health professionals—indeed, because they are not—it is vital that they have the knowledge and understanding of autism to be able to recognise behavioural patterns, to support those children, and to point their families in the direction of any additional services that they might need.

John Bercow: May I simply draw the Minister's attention to Prime Performance Solutions Limited? Julie Inglis and a former respected Member of the House, Kerry Pollard, are representatives of that organisation who came to see me on Monday afternoon. They provide courses for professionals, parents and the voluntary sector and already claim that they are not only helping to foster greater independence in adulthood, but saving £50,000 a year recurring to the public and private purse as a result of the excellent training that they provide. Often the best trainers are people who are autistic or Asperger's—on the spectrum themselves—or who have family members who are. We can learn from that.

Jim Knight: I will ensure that my noble Friend Baroness Morgan, who has departmental responsibility for those matters, is referred to the work that the hon. Gentleman has mentioned.

We have heard about work on the inclusion development programme, which provides training materials for current school and early years staff. This year, our work to raise awareness among teachers through the programme has focused on dyslexia, and speech, language and communication needs. Next year, we will focus specifically on autism, and we will keep a careful eye on the effects of training materials to ensure that they really are making a difference. In June, the Training and Development Agency for Schools launched comprehensive training

resources for initial teacher training at primary undergraduate level. That resource includes material on recognising and supporting children with autistic spectrum disorders and a placement scheme in special provision for trainees.

We are also developing a masters in teaching and learning, so in the early years of teaching we can embed more consistent continuous professional development. In particular, we wish to ensure that there is more consistent quality training in dealing with children with special educational needs. Through "The Children's Plan", we have been trying to extend early intervention and multi-agency working. We will also deepen the Children's Trust arrangements, on which we will be legislating in due course, so that we can ensure that the needs of these children are properly assessed and addressed.

There were a number of other points that I would love to have addressed. My hon. Friend the Member for South Thanet (Dr. Ladyman) made some important points—as did all the speakers. On transitions and information, there are all sorts of things I could say, but I am running out of time.

To continue challenging our thinking, and moving forward on this issue, we have established an Autism Education Trust, which is being led by the National Autistic Society, TreeHouse, and the Council for Disabled Children. The trust will bring together specialists, spread good practice and be a representative voice of the autism community to central and local government. We will continue to work with professionals and autism specialists to ensure that the provision for some of our most vulnerable young people is world class. No child should be left behind. Those who need extra support to stay ahead are this Government's priority.

Northamptonshire Police

11 am

Mr. Peter Bone (Wellingborough) (Con): It is a pleasure to serve under your chairmanship, Mr. Caton. I thank Mr. Speaker for granting me the debate. He has been very generous in providing a series of debates relating to Northamptonshire to my hon. Friend the Member for Kettering (Mr. Hollobone) and to me. Only yesterday, my hon. Friend introduced a debate on policing persistent and youth offenders in Northamptonshire. Yet again, he has spoken up not only for his constituents, but for all the people of north Northamptonshire. I appreciate his attendance and support in today's debate.

I also welcome my hon. Friend the Member for Northampton, South (Mr. Binley), who has spent years supporting the people of Northampton and Northamptonshire in his role as a senior county councillor and as a Member of the House. It is encouraging to have half the Members of Parliament for Northamptonshire present for today's Westminster Hall debate. I thank the Minister for his attendance. I believe that this is only his second debate as an Under-Secretary at the Home Office; the first was yesterday's debate. I am grateful to him for the immense amount of time that he has put in and the interest that he is showing in policing in Northamptonshire.

The men and women of Northamptonshire police do a fantastic job and work very hard for the people of the county. They are held in very high regard by my constituents. The only problem is that there are not enough of them. I pay particular tribute to Chief Superintendent Paul Fell, area commander for Northamptonshire North, for all his help and advice. I should also mention the excellent work by our police community support officers, who play a valuable role in the community. However, they have a specific role and function and are not there to replace police officers, although on occasion that seems to be the Government's policy.

So what is the reason for the debate today? In July 2008, the results of the British crime survey were published, showing that there were 1,199 crimes per 10,000 adults in Northamptonshire—the second worst rate in England and Wales. It is right to say that the No. 1 issue in my constituency has always been crime. I regularly send a "Listening" survey to my constituents. That simple tracking survey is sent out throughout Wellingborough and the surrounding areas to give my constituents the opportunity to tell me what issues concern them. Crime has always come out as the No. 1 issue.

Up to 20 per cent. of the people whom I represent are afraid to go out after dark, because of groups of teenagers loitering, or thugs or vandals—or more often all three—which is commonly referred to as antisocial behaviour. That is what the people of Wellingborough want action on. They want the problem dealt with and its back broken so that they can feel safe in the street and so that they can leave their house at night without always looking over their shoulder and worrying about whom they might come across. That major concern is not, however, reflected in national targets. Antisocial behaviour is not seen as a big issue, perhaps because making people feel safe on the streets will not create attention-grabbing headlines. As it is not recorded as a crime unless there is criminal damage, the police are not

[Mr. Peter Bone]

rewarded for tackling antisocial behaviour. At the moment, as a target does not focus on it, police performance in tackling antisocial behaviour is irrelevant in any potential league tables. It is the No. 1 issue for my constituents, yet committing time and resources to tackling antisocial behaviour in effect punishes the police in Northamptonshire.

Some excellent initiatives are running in Wellingborough and Northamptonshire, including Farmwatch. On Saturday, I attended the launch of the street pastors initiative, which is led by churches in Rushden and east Northamptonshire. Street pastors work alongside local authorities and the police. The people involved go out at night and talk to troubled youngsters about their problems and their lives to help to stop them turning to crime. One innovative contribution from the police is the gift of hundreds of lollipops. Giving youngsters a lolly when beginning a discussion keeps their mouths busy and can prevent them from talking back or shouting. It encourages them to listen and stay calm. That is a simple solution to a difficult problem.

In Northamptonshire, there are not enough police officers out on the beat, catching criminals and deterring crime. One weekend recently, only two police vehicles were operating to cover a 70-square-mile area. That is a pitiful number and nowhere near enough to allow the police to serve the community effectively. The latest available police manpower statistics show that, on 31 March 2008, there were 1,309 police officers in Northamptonshire, which equates to 196 police officers per 100,000 of population. It is the lowest figure of any of the other forces with which Northamptonshire is compared and the eighth worst of all police forces in the country. The national average is 264 police officers per 100,000 of population. In Northamptonshire, we have a quarter fewer police officers than the average in the country. Even if we had an additional 400 officers today, we would still be below the national average. We are asking too few police officers to do too much work.

My constituents worry most about how much time police officers spend patrolling the streets of Northamptonshire. They do not want them locked away in police stations, signing forms, attending strategy meetings and doing diversity training. They want them out on the street, catching criminals and deterring crime, so I thought that I would ask the Home Secretary what percentage of their time a police officer spends patrolling. I guessed that it might be as high as 75 per cent.; it would definitely be more than 50 per cent. I have just received the parliamentary answer. Incredibly, in 2004-05 in Northamptonshire, a police officer was on patrol for only 15 per cent. of their time. Despite that figure being woefully low, it almost matched the national average.

When we examine the latest figures, for 2007-08, the situation becomes much worse. Officers now spend only 10 per cent. of their time on patrol in Northamptonshire. That is 26 per cent. below the national average and a third less time on the beat than three years ago. It is time to cut the police bureaucracy, red tape and form filling. It is no good having more policemen if they are locked away in police stations, not out on patrol. If we could only increase the time that police officers spent patrolling to 20 per cent. of their time, we would at a stroke double the number of police officers on the beat in Northamptonshire. By cutting out unnecessary red tape and form filling, we could make our streets safer for the citizens of Northamptonshire.

I come now to the Government's funding of Northamptonshire police. The Government formula grant is distributed according to a complex set of criteria. However, distribution does not operate according to the formula, because of damping. That means that when the grant gets to a certain level, Northamptonshire police receive only 13p in every pound that they are meant to receive. In total, Northamptonshire will lose £1.8 million of grant through damping over three years to subsidise other forces, such as Northumbria.

Mr. Brian Binley (Northampton, South) (Con): I thank my hon. Friend for his kind remarks earlier: I am most appreciative of them, as I am sure my hon. Friend the Member for Kettering (Mr. Hollobone) is. Does he agree that the consistent and regular underfunding of Northamptonshire police in the support grant, as proved by an increase of only 1.4 per cent. last year when we take both the formula specific grants into account, is a major contributor to the problems that we face with antisocial behaviour, crime and the lack of police presence in our county?

Mr. Bone: The House might like to know that for a long time my hon. Friend was responsible for the county council's finances. Of course, he is correct.

We did not stage manage this, Mr. Caton, but the next part of my speech is to state that it has not happened in one year only but that it happens year after year. The Government say that we deserve money, but then they take it away from us. I merely ask for what is fairly ours. The historic data used to calculate the grants take no account of the recent growth in population. The latest mid-year estimates, published on 21 August 2008 by the Office for National Statistics, show that Northamptonshire is the second-fastest growing police force area in the nation, its population growing at 1.4 per cent. annually. That is more that twice the national average of 0.6 per cent.

To make matters worse, those figures are not reflected in the grant that Northamptonshire is forecast to receive next year or the following year. The Government's growth population projection for grant purposes is only 0.9 per cent, which equates to missing 15,000 people. It is like ignoring a small town when deciding how much money an area should get for policing. On top of that, the Government's grant calculation for the next two years allows for inflation increases of only 2.6 and 2.7 per cent. That is significantly less than the current inflation rate of 4.7 per cent. There is no way around it: Northamptonshire police are dramatically underfunded, even based on Government figures.

I want to turn to a new idea. I want to see the introduction of a sheriff of Northamptonshire. I do not want someone wearing a ten-gallon hat, carrying six-shooters and tying up his horse outside the Wellingborough McDonald's—on the other hand, though, that might not be a bad idea! Dictating from the top down is not the way forward, given that our police forces cover such a diverse range of issues. They should each be able to set priorities in areas that are relevant to them. Government targets, priorities and guidelines have severely restricted

the way in which Northamptonshire police are able to tackle the explosion of antisocial behaviour that we are seeing in Wellingborough.

We need a locally elected police commissioner—a sheriff of Northamptonshire—who will target police resources for the benefit of local people, not for the benefit of bureaucrats setting targets in Whitehall. We need a directly elected sheriff, who would be responsible for targeting police resources for the benefit of local people. They would set local priorities, and the chief constable would then be charged with enforcing those priorities. They would be elected by ballot every four years, making them accountable to the public, and bringing in democratic control of policing. Such policies would be put forward in pre-election campaigns, and the public would be able to choose whose ideas they liked best. If the sheriff did not perform well or did not live up to expectations, the public could vote them out so that somebody new, with fresh ideas, could take over.

Mr. Binley: Does my hon. Friend realise that the county council has already taken a major step in that respect by giving a sizeable grant directly to the Northamptonshire police force to fund extra policing? His idea is in keeping with the thrust of that grant.

Mr. Bone: Indeed. I pay tribute to the way in which the county council manages to juggle an almost impossible situation. Farmwatch is a good example. Funding has been granted to that scheme, but because it is not granted to the county council for long periods it cannot always pass it on to local organisations. As a result, Farmwatch is worried that its funding will run out at the end of the year.

All that is needed to solve the policing problems in Northamptonshire is for the Minister to guarantee three small things: first, fair funding for Northamptonshire police; secondly, immediately providing 400 more officers; and thirdly, providing a sheriff of Northamptonshire. If he guarantees that, his first week at the Home Office will be well spent.

11.14 am

Mr. Philip Hollobone (Kettering) (Con): I congratulate my hon. Friend the Member for Wellingborough (Mr. Bone) on an excellent speech, and on the time and effort that he puts into the question of crime on behalf of his constituents. I endorse everything that he said, and I join him in thanking Northamptonshire police, the policemen and women, and the officers and support staff, for the tremendous work that they do.

Local residents are concerned that crime is not being tackled as effectively as it might be. Although crime has fallen for four years in a row, local residents are shocked to learn that their county has the highest crime rate per capita in England. The figures for Northamptonshire given in the British crime survey show that 62 per cent. of people agree that the county's police force understood local concerns, but that only 44 per cent. felt that it dealt with them effectively. That is the third lowest figure in the country.

I believe that the Northamptonshire police force is doing a good job, but there is a tremendous amount more to be done. It is not rocket science. The three measures proposed by my hon. Friend hit the spot. We certainly need more officers on the beat. In addition, criminals who are caught and sentenced to serve time in jail ought to serve their time in full. Of the residents in Kettering with whom I speak about crime, 95 per cent. are of that opinion. They believe that those sentenced to spend time in jail should spend that time there. The Northamptonshire police force is of the same view.

I had the privilege a few years ago of spending 22 days with Northamptonshire police under the police service parliamentary scheme. Every police officer to whom I spoke said, "Philip, if we could lock up the persistent and prolific offenders in this county"—there are only 70 or 80 of them county-wide, with about 35 in the north of the county—"if we could take those people off our streets, we could concentrate on all the zero tolerance measures that people want to see with regard to tackling antisocial behaviour. But we spend the majority of our time chasing the same few individuals." My message to the Minister is along the same lines as my hon. Friend's. Can we focus on the persistent offenders who commit the bulk of the crime, not only in Northamptonshire but throughout the country?

11.17 am

The Parliamentary Under-Secretary of State for the Home Department (Mr. Alan Campbell): I congratulate the hon. Member for Wellingborough (Mr. Bone) on securing this debate and I welcome the opportunity to discuss policing in Northamptonshire. As he said, it is for the second day running. Yesterday he gave us a taster of what he would say, and we have had the main course today.

All I can say about my second debate on Northamptonshire is that I bring twice the experience to the matter today that I brought to it yesterday. However, I fear that the hon. Gentleman will be disappointed that I cannot give specific guarantees on the interesting points that he has raised. Nevertheless, I am sure that, in his inimitable way, he will continue to raise interesting matters on behalf of his constituents.

The performance of Northamptonshire police has improved significantly over recent years, thanks in no small part to the hard work of the officers and staff of the force, and I join those hon. Gentlemen who represent the county in paying tribute to it. However, as the hon. Member for Wellingborough pointed out, other individuals and organisations are involved with the Government in a joint effort to tackle crime and antisocial behaviour in the area. Crime in the county is down. Over the past four years, vehicle crime, burglary and robbery have all fallen by 30 per cent. or more, and a greater proportion of offences are being brought to justice than ever. Of course, I share the hon. Gentlemen's desire that that improvement continue. We are not complacent, particularly as we seek to bring the police service closer to the communities that it serves.

The Green Paper on policing sets out a new, clear vision for what the public can expect from their local force. It responds to what the public expect of the police, and the service that they tell us they wish to receive. That was highlighted in Louise Casey's review of crime and communities. It also responds to what the police service told us in Sir Ronnie Flanagan's independent review of policing. We know that the public expect the police to carry out many vital activities in order to fight

[Mr. Alan Campbell]

crime and protect their communities, such as responding to 999 calls and advising members of the public, as well as those less visible activities such as tackling serious and organised crime, major crime and terrorism.

I am told that Northamptonshire police has invested significantly in proactive crime fighting activities. We spoke of some yesterday, including the targeting of prolific offenders. That focused activity is contributing to a reduction in crime for the people of Northamptonshire, but that is not necessarily reflected in figures showing how much time officers spend on patrol.

Mr. Binley: We know from our constituency surgeries that antisocial behaviour is increasing because of the focusing on, and targeting of, specific areas. There are not enough resources to spread around the county evenly and effectively, which leads to a rise in antisocial behaviour in areas that are not properly policed when the focus is on other places.

Mr. Campbell: The activities that I was talking about are important for bringing crime down. I am not underplaying antisocial behaviour in any way, shape or form, but I suggest that the hon. Gentleman's constituents want to ensure that crime levels continue to fall. I do not believe that it is an either/or question; I have a theory that other things are in play when there is an increase in antisocial behaviour. I hope to address some of the hon. Gentleman's points on that.

I should stress that we know the public want the police to be visible in their local communities and to be responsive to their priorities, as the hon. Member for Wellingborough said. To emphasise the most important elements of the service's relationship with the public, the Green Paper will introduce a new policing pledge, which will set out clear, public-facing, national service standards for the police from first contact to follow-up and which, through the important local element, will give the public a way to hold their neighbourhood policing teams to account for tackling local problems. We are consulting the service and the public about the pledge, but it is likely to contain commitments on how the police will engage with their local communities and respond to calls for services, and the follow-up action that people can expect to receive.

To help forces focus yet more on the needs of their communities, the Government are committed to reducing red tape and bureaucracy in the service, and to allowing locally determined priorities to direct day-to-day activities. To that effect, all but one top-down numerical target for police forces will be removed, leaving only a single target set by the Home Office: for each force to improve public confidence. Much of what the hon. Gentleman said was about gaining public confidence and responding to what the public say are their priorities. Furthermore, to strengthen the democratic link between the police and the public, directly elected crime and policing representatives will be introduced to police authorities. Their key role will be to hold the police to account for delivery against those locally determined priorities.

The Government remain committed to continuing the improvements in policing in recent years, and Northamptonshire police are no exception. The force has faced significant challenges in recent years, but it has benefited from significantly improved resources that have helped to bring about some of those dramatic improvements in performance. Overall, the police service in England and Wales has benefited from a police grant that has increased by more than 60 per cent., or £3.7 billion, between 1997-98 and 2010-11. Northamptonshire has benefited from an increase in total government grants from £52.7 million in 1997 to £88.3 million in 2008, an increase of £35.2 million, which is a 67 per cent. increase in cash terms and a 27 per cent. increase in real terms.

Mr. Bone: I understand the figures that the Minister cites, but one problem in Northamptonshire is that the population of the area in 1997 was much smaller.[1]

Mr. Campbell: I appreciate that the local police authority expected a bigger increase, especially last year, and hon. Members will be aware that only so much money is available through the grant. We must ensure that all authorities have a broad minimum increase to ensure the stability of police funding in England and Wales. Of course, moving towards longer-term grants for authorities will help. The hon. Gentleman mentioned unfunded population increases, and I can tell him that we are working to ensure that the formula does not operate as he says.

In the meantime, we are doing other things to address the problems. For example, Northamptonshire police force and police authority may, along with all police service providers nationwide, benefit from new sources of funding, including new migration impact funds, which come from a fund of some tens of millions of pounds to alleviate the short-term transitional pressures of migration. The funds will be available from April 2009 and managed by regional Government offices. A key part of the scheme will be applying local knowledge to funding decisions and ensuring that the funds will be spent not only properly, but quickly.

Other sources of funding are available to forces and partners to improve efficiency and to build additional capacity and capability into forces, far beyond a simple interpretation of staff and officer numbers. For example, Northamptonshire police are to benefit, along with the four other forces in the east midlands collaboration, from £8.3 million that has been provided for the purchase of hand-held computers, which could go some way to addressing the form-filling problem that the hon. Gentleman mentioned. That money is being made available as a direct result of the Government's commitment to implement the recommendations made by Sir Ronnie Flanagan in his recent review. Results from similar schemes are encouraging, and reveal the potential for the initiative to contribute to the Government's commitment to cutting unnecessary bureaucracy and to freeing up officer time to focus on front-line policing.

The allocation of resources within each force's area is, of course, a matter for the chief constable and the police authority, and maximum flexibility has been afforded to them. However, it is clear that the increase in funding provided by Government and police authorities has facilitated an increase in officer numbers in the past 10 years. At the end of March 2008, Northamptonshire had 1,264 police officers, which is an increase of 87 officers on the previous year, and the force has 159 police community support officers. I heard what the hon. Gentleman said about those officers, but he and I do not agree about their importance. Interestingly, in my

1. *[Official Report, 13 October 2008, Vol. 480, c. 3MC.]*

constituency, local communities welcome PCSOs when they are introduced—they want to see someone on the street. The hon. Gentleman spoke in percentage terms or minutes per hour in relation to the amount of time that a police officer spends on patrol, but the job of PCSOs is to be out on patrol in local neighbourhoods, and their time is not reflected in the figures that he used in his parliamentary question. We should appreciate that there is more to it than that simple figure.

I accept that the resource situation is more challenging than it has been, and it is important to note that the recruitment of police staff has a direct impact on the capacity of police officers. Recruitment could free officers from duties that do not require an officer to concentrate on front-line policing. Neighbourhood policing has been successfully implemented in Northamptonshire, which now has 41 full-strength dedicated safer community teams. Her Majesty's inspectorate of constabulary said in September that the Northamptonshire force has made considerable progress in delivering both effective neighbourhood policing and the wider citizen focus agenda. The force was also graded as excellent by the inspectorate when compared with others after victims were asked whether they were satisfied with actions taken by the police. The force's dedicated business engineering review team, which has been recognised by the National Policing Improvement Agency as good practice, has concentrated on work force modernisation to ensure that we get the best from officers and staff. The force has been praised for forensic science, which is an important part of tackling crime, for pioneering techniques in using DNA, and a host of other things.

The Home Office stands ready to commit extra resources for specific projects, as it did for a police operation to target domestic violence. Additional support is also available for tackling prolific and other priority offenders, about which we talked a great deal yesterday.

Those improvements in performance have been—

11.30 am

Sitting suspended.

Aviation Duty

2.30 pm

Graham Stringer (Manchester, Blackley) (Lab): This afternoon provides an opportunity to help the Government by debating the aviation duty and helping them to come to a conclusion that is better than their original proposals. I know that they are listening, and along with colleagues from Greater Manchester I was able to have a meeting with the Chancellor of the Exchequer. I know that he is thinking hard about the matter, even if not at this very moment, when other things are going on.

Nobody likes taxes, but the aviation duty would be a particularly bad one. I understand the logic of replacing the air passenger duty, which was introduced in the early 1990s with no objective other than to raise funding. I understand the Government's logic in asking what is the point of only £10 of tax being paid on a plane with one passenger on it, when a plane with a lot of passengers on it will pay considerably more. That seems to provide environmentally perverse incentives and objectives, and I understand why the Government thought that changing the basis of taxation to distance and to the plane itself would provide better environmental incentives. When we look at the details of the scheme, however, it becomes apparent that the proposed aviation duty will also have perverse incentives, and I hope that the Government will change their mind about it.

Before I turn to the details of the tax, it is always worth while reminding ourselves of the importance of aviation to the United Kingdom economy. I was on the board of Manchester airport for a number of years, and 44,000 jobs depend immediately on it. A number of other jobs—it is difficult to define how many—would not exist if it were not there, because having the facility to travel internationally helps firms to relocate to Manchester and the north-west. What is true of Manchester is true tenfold of Heathrow and Gatwick, and it is true of all the regional airports.

I do not know whether this is still true, but three or four years ago, British aviation was the second largest aviation market in the world. Without it, this country would find it difficult to earn its living in the world and we would have a lot fewer jobs than we currently have. Like many parts of the world's economy, it is going through a particularly difficult time at the moment. Within the past 12 months, 30 airlines have gone to the wall and become bankrupt, which shows what a tough business it is. Although taxation may need to be raised, we want to do so as sensitively as possible and in a way that does not damage the industry.

I have three main concerns, which I shall list before going through them in detail. First, the proposed aviation duty will have a disproportionate impact on regional economies and regional aviation. Secondly, there will be a potentially disastrous impact on the air freight industry. Thirdly, it is likely that if the tax is brought in, it will be environmentally damaging—as opposed to environmentally helpful, which I believe is the Government's intention.

I turn first to the regional issue. The Government stated clearly in their 2003 White Paper that their policy was to support regional airports, but if we examine in detail what will happen if the aviation duty is brought in, we see that it is likely to damage regional airports.

[Graham Stringer]

Airports such as Glasgow, Manchester and Birmingham have been trying very hard to build up international and, particularly, intercontinental routes over the past two decades or so. When those routes are started, aeroplanes often have a load factor of 40 per cent., which is not the case with a new route from, say, Heathrow to Shanghai or India, which are among the world's improving economies. A major airline considering running such a route from a regional airport often has to invest in it for two or three years before it becomes viable. If the airline started with a tax disincentive because it was effectively paying a tax on empty seats, such a route would be much less likely to be established. One fact that I discovered when I prepared for the debate was that the 40 intercontinental routes that Manchester used to provide have been reduced to 17, partly because of the changes to, and reorganisation of, British Airways but partly because of the toughness in the aviation business itself.

Mr. Brian H. Donohoe (Central Ayrshire) (Lab): I welcome the fact that my hon. Friend has secured the debate. I, too, have had meetings with Treasury Ministers about this subject and expressed my concerns. He has mentioned the regional impact of the aviation duty, and it would have an enormous impact on my constituency, where Glasgow Prestwick airport accounts directly for almost 3,500 jobs. Across the whole of Scotland, it accounts for a phenomenal amount of earnings and capacity to earn from the trade that it brings. Does my hon. Friend think that the amount of money that is tied up in aviation makes it clear that Her Majesty's Revenue and Customs will lose out in the event of the introduction of the tax? There will be a negative impact, rather than the positive one that the Government suggest will be the case.

Graham Stringer: My hon. Friend is right. Oxford Economics has done a study showing that, because of the loss of gross domestic product that is likely to be consequential on the introduction of the tax, less tax will be collected. He is right to bring to our attention the fact that the industry—airports, freight carriers and passenger airlines—is extremely concerned about the proposed tax.

Mark Pritchard (The Wrekin) (Con): The hon. Gentleman is absolutely right—in its current form, the tax will be a regressive, rather than progressive, environmental tax. I agree completely that we will see no lowering of emissions, just their displacement to other European hubs. There will certainly be no incentive for airlines to improve their overall performance, and I agree that there need to be more carrots than sticks. Does he agree that introducing the measure in its current form is likely to delay the modernisation of airline fleets? As he will know, as an expert who sits on the Select Committee on Transport, modernised fleets would be far more environmentally friendly than the current fleet.

Graham Stringer: I agree completely, and I shall make some of those points later. The hon. Gentleman is absolutely right.

Finally, on the impact on the UK regions, I was told by Flybe that it has a profitable route from Inverness to Belfast. It uses a new aeroplane, but it flies at 60 per cent. capacity. The route is vital to the economies of Inverness and Belfast and it seems ludicrous to impose on that aeroplane, which is doing a commercial job, as well as one that is economically important for those regions, a tax that a plane flying from London to JFK would not have to pay in the same proportion. There are other relevant issues about the regions, but I know that other hon. Members want to raise them.

Mr. David Wilshire (Spelthorne) (Con): On the subject of the regions, the hon. Gentleman started by saying that he wanted to help the Government. He will understand that I am not sure I go that far, but I go all the way in backing his desire to help passengers, freight companies, UK airports and UK airlines. I stand four-square on that. It is not just about the regions, although I can understand why someone from Manchester would focus on them. Does he agree that it is equally crucial for the UK's hub airports that we do something about the matter? He spoke about transferring passengers out of the regions. The measures will give a price cut to people from the regions who go to a hub outside the UK, but not a British hub airport. I am sure he will understand why I am worried about that. It means redundancies for my constituents at Heathrow and a reduction in house values. I wish him well and cheer him on.

Graham Stringer: The hon. Gentleman makes a pertinent and important point. Heathrow, which is good for the economy of the whole United Kingdom, competes with Schiphol, Charles de Gaulle and Frankfurt, and increasingly with Copenhagen and Madrid, as a major European hub. The measures are likely to help those competitors rather than Heathrow. It will send regional flights into their systems and not the south-east.

David Taylor (North-West Leicestershire) (Lab/Co-op): My hon. Friend has studiously avoided mentioning East Midlands airport, in my constituency. It is group-owned by Manchester airport and is the largest freight airport by weight in the country. The points that he is making about the over-taxation of the aviation industry would bring tears to a glass eye, but since the Chicago convention between the wars, aviation has benefited from generous largesse in being free of VAT and fuel tax. No one would suggest for a moment that it is on a level runway with other forms of transport, because it is not. Something must be done about that, which is why I welcome the Government's attempt to balance a small proportion of aviation's environmental impact with the contribution—not a great one—that it will make when the duty is introduced.

Graham Stringer: I do not particularly want to go down that route, as there is a huge debate to be had about subsidies that go to other parts of the transport industry which aviation does not receive, and about how different parts of the aviation industry are taxed. I am not making an argument about differential taxation between aviation and railways or cars. I hope to make a point about the proposals before us, whose aim is to raise tax. I understand that and am not against it, but the way in which it is being done will have perverse consequences, both for the environment and the industry.

Moving to freight, I have been provided with quite startling information, which I have sent to the Chancellor of the Exchequer, about the profitability of a freight route between Manchester and Hong Kong. I can provide detailed documentation to show that if the proposals go ahead, a freight aircraft flying from Manchester to Hong Kong would go from making a profit of £5,600 a flight to making a deficit of nearly £3,000 a flight. It just will not exist. The companies are not in it for charity; they must make money. If that particular route were withdrawn from Manchester, it would damage the north-west economy by £28 million a year.

The proposals have stopped FedEx running a flight between Manchester and Memphis: that flight has gone. It was expected 12 months ago that the flights would double in frequency, but what has happened is that FedEx has moved them to Charles de Gaulle in Paris, which is not good for the economy. A lot of the manufacturing economy left not just in the north of England but elsewhere in the country depends on just-in-time delivery of high-value goods by air freight. If that is not available, costs go up, cars go by road from Paris to Manchester and the environment and the economy are damaged.

Mr. Donohoe: At Glasgow Prestwick, we have already had redundancies from freight companies that have withdrawn for those very reasons. The sad fact, to return to a point made in an earlier intervention, is that they are now landing their planes at either Schiphol or Charles de Gaulle and trucking all the goods into the United Kingdom, as far up as Scotland. On balance, it does not make a bit of sense for the environment. Trucking creates more emissions than flying. As a consequence, the Government should consider the matter if they are intent on doing something about the climate.

Graham Stringer: I agree completely. East Midlands airport was mentioned. Nearly 3,500 jobs are dependent on freight at East Midlands. If those jobs move to Brussels or Paris, where the main worldwide integrators' huge hubs are located, they will be lost to the east midlands, and it will be difficult to get them back.

David Taylor: As the MP for that area, I think that that is grossly distorted. My hon. Friend is right about the number of jobs relating to freight; I accept that. There are 7,500 jobs in and around East Midlands airport, 10 per cent. or so of which belong to people living in my constituency, but a whole load of scaremongering is going on in relation to the impact of changed taxation on aviation, suggesting that somehow all those jobs would decamp to northern Europe. There is not a scrap of proof that that would be either economically viable or politically acceptable. It is highly unlikely to happen. It is just a false trail through the sky.

Graham Stringer: I hope that what I have shown so far is that some of it has already happened as a result of the proposals becoming public.

David Taylor: My hon. Friend said 3,500.

Graham Stringer: I was saying how many jobs would be at risk. I was not saying that all of those jobs would go. However, in a marginally profitable business—the margins per ton of freight are tiny in those areas—jobs are at risk. The viability of freight at East Midlands depends partly on critical mass as weil as the individual profit that can be made on each route.

Mr. Robert Flello (Stoke-on-Trent, South) (Lab): Will my hon. Friend comment on the impact on British road hauliers? If freight is trucked in from overseas after having been flown into Charles de Gaulle or Schiphol, that will mean more overseas trucks on our roads taking work from British hauliers. Also, despite the good work done to seek agreement at the European level about such hauliers taking on domestic jobs once inside the UK, the greater volume coming in will mean that more overseas trucks can take domestic jobs, again taking work from British-based hauliers.

Graham Stringer: My hon. Friend makes his point well.

Turning to the issue of the environment, I shall try to speed up. I have tried to be generous in giving way, but I know that other hon. Members want to speak. One can dispute the overall environmental costs of aviation, but it is the view of the Department of Transport that the external costs of aviation to the environment in this country are about £1.6 billion. However, the industry pays £2 billion in taxation, so generally, aviation's financial contribution to the environment is positive.

We have already touched on the fact that if someone is charged £40 to fly to New York, for example, from a regional airport, it would be cheaper for them to pay the £10 tax and fly through a European hub, and go through Schiphol or Frankfurt, or wherever is easiest from their local airport. There would be a significant saving, particularly if they are taking their family away for the weekend. That is self-evident. What is less obvious—this was mentioned earlier—is that if the basis of taxation is both distance and the maximum take-off weight, there is no incentive, when there should be, for airlines using old-planes to invest in new ones with less environmental or noise impact. We have a perverse incentive to keep using the old aircraft, in which an investment has already been made, instead of moving to newer ones.

Let us compare the carbon dioxide emitted by similar airplanes of different generations—the Boeing 737-200 compared with the Airbus A319. The Airbus is a heavier plane, but gives off approximately 25 per cent. less carbon dioxide, both in flight and at take-off. We should want to incentivise people to use that plane, but on the basis of the proposals before us doing so would cost more in tax, which is not sensible.

Mr. Wilshire: I wish to make a brief point, before the hon. Gentleman moves on from environmental issues. Doubtless, he would agree that trying to sort out environmental issues arising from aviation is a noble cause, but is it not the case that we are trying to use national action to solve an international problem? Simply by taking national action, we will not help the environment, but we will damage the British economy.

Graham Stringer: I agree with the hon. Gentleman, who answers the point made by my hon. Friend the Member for North-West Leicestershire (David Taylor) very adequately.

Administratively, air passenger duty is collected by the airlines, and the collection system is very efficient—it costs a few pence per £100 to collect the duty. Transferring

[Graham Stringer]

responsibility to airports would result in an inefficient system; the set-up and administrative costs would be large, and there would be difficulties if an airline was diverted—say from Manchester to East Midlands—over who would collect the tax. Would it be East Midlands or Manchester? It is not sensible to move the tax collection from the airlines to the airports.

Mr. Gerald Howarth (Aldershot) (Con): Will the hon. Gentleman give way?

Graham Stringer: For the very last time, then I shall sit down, because I have just two more points to make after this one.

Mr. Howarth: I am extremely grateful to the hon. Gentleman for his remarks. I represent Farnborough, in Hampshire, which is the finest executive jet base in Europe, and has received many nominations to that effect. Is he aware that what he is saying about the airlines does not just apply to them, but to a very important sector of general aviation in our country—corporate aviation—and that the airport will be obliged to collect the duty perhaps from an infrequent visitor who comes from, say, the United States for one visit and then returns? The airport will incur the cost and angst of having to administer a very complex system in the place of what he rightly says is a simple system.

Graham Stringer: The hon. Gentleman makes a pertinent point.

I have a question that I would like the Minister to answer, but if she cannot do so, I would be grateful if she could make the information available in the House of Commons Library. UPS wrote to me—I dare say that it has written to other hon. Members, too—saying that the tax is unlawful, and in breach of the Chicago convention and the open skies agreement between the European Union and the United States of America, partly because it implies that this country will take tax in somebody else's air space. Has she taken legal advice on that matter? If so, will she provide that legal advice, or a summary of it, so that we can come to a view on it?

Finally, I was not drawn into the debate on green issues. Today's discussion is specifically about this particular aviation taxation, which will not do what it says on the tin. It will do something quite different: it will damage the economy, and it may well damage the environment. However, behind aviation debates often lies a general dislike of the high technology of aviation, which is used by some members, but not all—I accuse no one in this Chamber of doing so—of the lobby who tend to exaggerate the impact of aviation and who would actually prefer it if it did not exist at all. I found that to be the case when I chaired the board of Manchester airport and had to deal with some of the green campaigners protesting against the building of the second runway at the airport and its general development. One can argue about the details—whether the impact of aviation on global warming is 2 or 4 per cent.—but either way it is relatively trivial compared with other factors. It gets the attention of some in the green lobby, who like to point to it as a symbol of modern high-technology and because they would prefer lower-technology solutions.

Mr. Martin Caton (in the Chair): I have a list of five hon. Members who have indicated that they would like to speak. I shall be calling the Front Benchers for the winding-up speeches at 3.30 pm.

2.57 pm

Paul Rowen (Rochdale) (LD): I congratulate the hon. Member for Manchester, Blackley (Graham Stringer) on initiating this debate. The number of people here illustrates the interest in, and concern about, this topic. Governments introduce aviation duty for three reasons: first, as a tax-raising revenue; secondly, for its effect on the environment and climate change; and, thirdly, as a transport policy. The fact that a Treasury Minister is here illustrates one thing for certain: this is mainly about tax-raising revenue.

The hon. Gentleman very adequately explained the concerns that many of us have about this particular proposal. I want to make it very clear that I and my party are in favour of environmental taxation, if it is fair and will change behaviour. However, we are not in favour—I certainly am not—of a policy that will merely export jobs and economic prosperity from Britain to the continent, at the expense of our economies, whether regional economies, such as those of Scotland, Manchester or the east midlands, or around our main hubs, such as Heathrow and Gatwick. The impact will be the same in all those economies: they will be massively disadvantaged. That is what this proposal seems designed to do.

The hon. Gentleman used the example of a family going on holiday to America. If it costs £10 per head in taxation for a flight from Manchester or Heathrow via Schiphol or Charles de Gaulle, and £40 per head for the same journey straight from Manchester or Heathrow, which will the passenger choose? Obviously they will choose the cheaper option, which will mean that our airlines, such as British Airways, BMI and Virgin, will be massively disadvantaged by the impact of the tax. That might be acceptable if it did something about climate change and reduced emissions. With great respect, however, all that will happen is that instead of being emitted by British aircraft, those emissions will be emitted by French or German aircraft. That is perverse.

Similarly, on the point that the hon. Member for Manchester, Blackley made about weight, it is a nonsense that a modern aircraft such as the Airbus 319 is going to end up paying more than the Boeing 737-200. The policy is based not on carbon dioxide emissions, as a fair policy should be, but purely on weight. That is like taking a crowbar to this matter, and it will do damage as a crowbar would—it will damage jobs and employment in this country.

Freight has also been discussed. We have heard about Manchester and the flight from Memphis that has been withdrawn. There was talk of a second flight, and now it too has been withdrawn. We know also that the impact on the east midlands will be disastrous. What will be the impact of that? There will be more lorries on British roads, because goods will be flown into Brussels or Charles de Gaulle and then taken across the channel. That will have the perverse effect that VAT will not even be paid on the fuel that is used, because drivers will fill up on the continent, where it is cheaper. That will put more of our hauliers out of work. It is not only the impact on aviation that should be taken into account, but the impact on hauliers.

Mr. Nigel Dodds (Belfast, North) (DUP): I agree entirely with the point that the hon. Gentleman is making. The situation will be even worse for Belfast International airport and Belfast City airport because Dublin International airport is just an hour down the road. It is inevitable that, for tourism, business and freight travel, people will move in that direction, adding to truck and other traffic on the roads to Northern Ireland. Does he agree that it will have a devastating impact on Belfast, in particular, given the proximity of Dublin airport, in another jurisdiction, just an hour away?

Paul Rowen: I agree entirely. We have seen that this week with the change on deposit guarantees. What one country does impacts directly on another.

There is a solution: it is to move away from the idea that this is about raising revenue. We have heard that airlines are already paying their fair whack in relation to the environmental cost. We need to have a proper debate, initially within Europe—that is happening within the EU regarding the carbon emissions trading scheme. It must also happen internationally, because aviation is an international business. We must have agreements in place to ensure that the carbon cost of flights is properly accounted for, not just in Britain, France or America, but across the globe. That would be much more sensible. The net effect of the policy will be to disadvantage British airlines and jobs, and none of us wants that. It will have the perverse effect of putting more lorries on our roads, thus increasing those emissions, and it will have a negative effect in terms of what we want, which is a positive effect on climate change and a change in policy. I ask the Minister seriously to reconsider the policy, which is bad for British jobs and for Britain and does nothing for climate change.

3.3 pm

Ian Stewart (Eccles) (Lab): I congratulate my hon. Friend the Member for Manchester, Blackley (Graham Stringer) on securing this important debate. It might appear as though he tried to pour cold water over the Government's proposals, but he and we want a successful and sustainable ecologically and environmentally progressive system that is administered sensibly and fairly.

The first thing I should point out is that I believe climate change is, in the main, man-made. I believe that radical action is needed to tackle it, and that aviation and shipping should be included in our climate-related reduction targets in the Climate Change Bill. I stand squarely behind that notion so I am not arguing against an aviation tax per se, but I want one that will help us to meet our targets. As the duty is based on maximum take-off weight rather than CO_2 or other emissions, the current proposals will mean that planes with identical maximum take-off weights will be charged the same, irrespective of noise or emission levels. So although a newer, heavier plane might produce fewer emissions than an older, lighter model, it will pay more duty because it will have a higher take-off weight.

Concerns have also been expressed that the proposals might lead to a significant increase in fuel-thirsty take-offs and landings. As we have heard, passengers will pay less tax if they avoid long-haul flights from the UK and fly instead from France or Holland. I want a duty that will not impact negatively on the UK's regions. I accept earlier comments about Heathrow and other hubs, but I do not want the system to impact negatively on UK regions such as my own—the north-west. I am uneasy about the consequences for my constituents who wish to travel from Manchester or Liverpool airports for their hard-earned annual holidays, and for the economic development prospects of my region. My colleague and good friend the Member for Manchester, Blackley has covered that ground comprehensively. He pointed out that FedEx's freight service to Memphis, in the USA, which operated four times a week from Manchester, ended in August 2008, and has transferred to Paris. That is real. It is not a projection or conjecture; it has happened. Manchester had expected a second daily FedEx service, and was in discussions with FedEx about a 50,000 sq ft freight facility. It is believed that FedEx was frightened off by the proposed aviation duty—wrongly, in my view. Such organisations should not be frightened off using what is a world-class facility. I support the comments of my hon. Friend and others about the disadvantage for regional airports inherent in the current proposals.

Dr. William McCrea (South Antrim) (DUP): The hon. Gentleman is talking about regional issues. Northern Ireland is only part of the United Kingdom, but shares a land mass with another EU member state, the Republic of Ireland, which is not currently imposing that form of duty on aviation. I am led to believe that it does not intend to impose it. Significant investors will therefore bypass a region of the UK to go to another place that they find more attractive.

Ian Stewart: There is no way that the hon. Gentleman is going to draw me into Irish politics, but I agree with him. That is a clear consequence and it might happen.

Regional airports such as Manchester are already at a disadvantage when it comes to long-haul route development. They have fewer affluent customers to serve and fewer business headquarters to generate business travel. My colleagues have examined the arguments in fine detail, and some have taken the arguments outside the box.

In my final comments, I shall concentrate on another aspect that needs airing: the employees who need to be taken into consideration. We should hear from their representative unions. I am a member of the Unite the Union parliamentary Labour group, having previously been a full-time trade union officer for 20 years, and I am also concerned about the employment impacts of aviation duty.

We have heard much in recent weeks about the need to act globally to deal with the worldwide economic collapse of financial institutions. Equally, we must consider carefully the realities of introducing aviation duty in the UK in a competitive international market. I support the arguments put forward from all the sections gathered today about the international implications of this issue.

I know that Unite the Union is worried that if freight operators are charged, they will change their routes to avoid the tax. Moving freight by road to a European hub airport could lead to job losses. Although those numbers can be debated, it is quite clear that such a move would lead to job losses at UK distribution centres—a legitimate concern for existing employees in the UK—and the loss of capacity to have next-day delivery for documents

[Ian Stewart]

and packages, except at a premium price. Although aviation duty would affect only aircraft departing the UK, if long-haul routes are slashed by operators this could affect our facility to import food from developing nations.

Finally, the Government want airports to collect the new tax. Airports have no systems in place to administer aviation duty. Surely given the recent problems in the delivery of tax credit, child support and the education maintenance allowance, we should be wary of imposing new systems for payments. It seems daft to stick airports in that position when there are existing facilities, skills and experience within the airlines themselves.

The Minister has been open to all arguments and has made it clear that she is prepared to consider seriously all sensible suggestions. If we propose anything that the Government regard as sensible, they have said that they will accept it. I would like to compliment the Minister on that openness and to put the same comments to those who have access to the Chancellor.

In conclusion, I want a much more rigorous assessment of the environmental, economic and employment consequences of the proposed aviation duty and I call for other alternatives to be considered. As a north-west MP, I argue strongly that it should be recognised that Manchester airport is the single most significant economic factor in the north-west, and we must not jeopardise that.

3.12 pm

Mr. Robert Syms (Poole) (Con): I welcome today's debate. Air passenger duty is not a great tax, and it is quite something to invent a scheme that is considerably worse and that will greatly disadvantage our aviation industry which, as we have heard in this debate, is the second largest in the world. It has been a great British success story, but it is a very competitive industry.

As we have seen with developments in Schiphol and at Charles de Gaulle, there are great temptations for carriers to move overseas. The problem with the tax is that it is unilateral and will lead to the export of jobs. We have heard the concerns of hon. Members from Northern Ireland. We have also heard about the problems that may lead to foreign road hauliers bringing in goods on our roads. There is a real problem with the concept of it being a unilateral tax. The Government have not said very much about what will happen when the EU comes up with its new trading system. What will happen then? Will our companies effectively be double taxed?

We have also heard about the disadvantage for long-haul flights. The duty will greatly add to the red tape at airports. The Manchester Airport Group thinks it might have to collect £400 million from airlines, which is more than its total revenue of £300 million. It is concerned about who is liable for the tax because it will have to chase people and may spend a considerable amount of its revenue having to pay the Treasury for money that it cannot get back from third parties. We have already heard from my hon. Friend the Member for Aldershot (Mr. Howarth) about his concern for business aviation. I and my hon. Friend the Member for Christchurch (Mr. Chope) have a first-rate airport in Christchurch—Hurn airport—which does quite a lot of business repairing aircraft. An aircraft that comes in to be repaired by a local engineering company may end up paying a considerable sum of money even before one screwdriver has been used. There are real concerns about the perverse impact of this particular charge.

Mr. Christopher Chope (Christchurch) (Con): Does my hon. Friend share my concern that this is also sending out a very negative message to the very successful British aviation and aerospace manufacturing industry. In my constituency we have FR Aviation, Meggitt Aerospace, and VT Aerospace. They are major users of the airport and a showcase for British manufacturing, yet this Government proposal seems to pour cold water on this very important part of British manufacturing industry.

Mr. Syms: My hon. Friend makes a very good point. He is a great defender of the economic significance of Bournemouth airport, which offers a real benefit to the people in our part of the world. We have heard about the successful development of regional airports. Such airports are very important to local economies. If the Government proceed with this tax, they will be disadvantaged. The best thing that can be said about the proposal is that it is at its consultation stage. A final decision does not yet have to be made. I hope that this is one occasion when the Government, for good economic and tax reasons, listen. Ultimately, the tax will damage many thousands of jobs, a very successful industry and regional policy. There is concern across the parties and across the country; otherwise there would not be such a range of people in this debate pleading with the Government to listen to the very sensible arguments made by the hon. Member for Manchester, Blackley (Graham Stringer). That is all I want to say. If the Government go ahead with this proposal, it will damage Britain. That would be a very sad day.

3.16 pm

Miss Anne Begg (Aberdeen, South) (Lab): Hopefully, I will not take up too much time because I realise other hon. Members want to speak. I am not going to make the case for or against this particular tax; I will leave that to others. I want to bring up the unintended consequences of the tax, particularly for passengers who are flying from regional airports. I hope that you do not mind, Mr. Caton, if I confine my remarks to Aberdeen. It is not that it is at the end of the universe, although some people think it is—I do not mean that in a negative way. Obviously, because our economy in Aberdeen depends in part on international travel, there are important issues that we must face.

Aberdeen is the energy capital of Europe and many of my constituents make international flights weekly—and sometimes more often—to areas such as Azerbaijan, the middle east, Nigeria and Texas. That is part of our economy. Obviously many of my constituents want to fly abroad.

It has been hinted at by other hon. Members this afternoon that the problem with this tax is that when it is based on aircraft rather than passengers and passenger journeys, there may be a double or even triple effect on passengers flying from a regional airport to a UK hub. Someone from Aberdeen who wishes to fly to Florida to visit Disneyland will either have to fly from Aberdeen

to Heathrow or Gatwick and pay one set of tax, and then fly from Heathrow or Gatwick to Florida and pay the second tax. On the way back from Florida, they do not pay the tax at all, but from Heathrow to Aberdeen they will pay the tax. As I understand it, they will be taxed three times. It is very difficult to work out because there are no figures on how much it will cost. There is potentially a triple cost on passengers. If passengers do not want to pay that extra £300, or whatever it might be for a family of four—it is very difficult to work out the figures—the real incentive begins to develop for them to travel by car to either Edinburgh or Glasgow Prestwick in Scotland to get those international flights. Aberdeen has some international flights, but none outside Europe. It has regular flights to both Schiphol and to Charles de Gaulle. My fear is that if the tax is introduced, there will be real economic incentives for my constituents to use either Charles de Gaulle or Schiphol as their international hub and not Heathrow or Gatwick. A number of holidaymakers use Manchester as the hub in order to transfer on to further international flights.

I should be grateful if the Minister could address that particular issue to show that at least some thought has been given to it, because under air passenger duty, if someone has a through ticket they pay duty not on every individual leg of the flight but just on the through flight. So it is difficult to see how something like that can be introduced when the tax will be on the aircraft and not on the individual passenger journeys. I do not want to say any more, but I hope I have explained the difficulties that my constituents might face: either they will be forced to spend a lot more money going through a British hub, or to use their cars more, which defeats the environmental purpose of the tax; or, they will feel that it is easier for them to use one of the international hubs.

3.20 pm

Mr. Gerald Howarth (Aldershot) (Con): I congratulate the hon. Member for Manchester, Blackley (Graham Stringer) on securing the debate and on making a serious contribution to an important issue. Next Thursday we celebrate the centenary of flight in this country. On 16 October 1908, Samuel Cody became the first man to make a powered flight, flying 1,390 ft from Laffan's plain in Farnborough in my constituency. For 100 years, aviation has been one of Britain's most successful industries; let us ensure that we do not knock it now.

I also declare an interest: I am a currently licensed aviator, together with the hon. Members for Edinburgh, South (Nigel Griffiths) and for Montgomeryshire (Lembit Öpik), and my hon. Friend the Member for Welwyn Hatfield (Grant Shapps). We have sought to speak up in this place not so much for the airlines as for general aviation, comprising light aviation, sporting aviation and business aviation, which already contributes £15 million in tax and VAT. We pay and the airlines do not—Mr. Walsh, please make a note.

I have two points to raise. First, general aviation—below 5,700 kg—generally uses Avgas, which is a petrol and on which we pay tax, so we are not affected by the measure. However, the industry is affected, because we are increasingly trying to move to diesel engine development, which is far more fuel-efficient and reduces emissions. It will be hit very badly, because diesel engines use Avtur Jet A-1, and such development will be seriously affected, meaning bad news for aviation in this country and for the British aviation industry.

My second point, which builds on a point that I made earlier, is about the concerns of the British Business and General Aviation Association, which represents the air taxi business, smaller airports, charter businesses and so on. It is very concerned about the impact of the proposals on its members, who are an increasingly vital part of the economy as major airports become congested. Businesses find it hugely convenient to use airfields in all our constituencies to enable them to get from A to B on the continent and to avoid the hubs, which is good for British business and for the local economy. The association told me:

"Absolutely no detail has been forthcoming from HMT or HMRC"—

Her Majesty's Treasury and HM Revenue and Customs—

"about the scale of the duty calculation. It would be an absolute disaster if they simply drew a straight line based on MTOW"—

maximum take-off weight. The association continued:

"There has to be some degree of proportionality based on the number of seats to provide a smooth transition from APD to Aviation Duty."

The market is seriously mobile: these people can up sticks and go somewhere else, which would be very bad news not only for the economy but for the Treasury.

I have discussed the process of collection, which will be much more complicated, and this afternoon I spoke to representatives of Farnborough airport in my constituency about the issue. Why impose another burden on that business? The airport is flourishing, so I hope that the Minister will attend to those concerns and ensure that the business aviation community is told exactly what plans the Government have for the implementation of the tax on a highly successful and enterprising part of the British economy which is vital to British interests. I hope that she will be able to do so in this debate.

In the meantime, I hope that everybody will take note of the events next Thursday. I have been asked by my hon. Friend the Member for Christchurch (Mr. Chope) whether the Vulcan bomber, of which I am a trustee and which I have helped restore to flight, will take part in the flypast. We hope that it will. I shall be in a smaller aeroplane in front of it, and I hope not to get overtaken by it. I hope, too, that the duty will not apply to the Vulcan, because we would just have to raise more funds from charitable sources.

3.24 pm

Mr. Mark Todd (South Derbyshire) (Lab): I shall rush through my speech.

Currently, aviation use is taxed through air passenger duty. A freighter carrying cargo alone bears no levy, but a passenger aircraft carrying belly freight, which many do, is disadvantaged against the dedicated freight carrier, which is clearly anomalous. I therefore support the principle of fiscal measures to equalise burdens between different carriers and payloads.

The second issue, however, is how any tax should be designed, which depends on its purpose, presuming, as one does, that revenue generation is not the only motivation.

[Mr. Mark Todd]

The focus should be on the efficient use of aircraft capacity and the carbon impact of the flight itself. The tax should be used as an incentive to modernise carriers' aircraft fleets. That has a particular bearing on the dedicated freight sector, which tends to use relatively old and less efficient aircraft. The tax should also remove perverse incentives towards particular transport choices. No rational integrator would move its operation without some long-term assurance about any marginal advantage that they would achieve through it. Bearing in mind the pressure that exists on all Governments to comply with carbon reduction targets, how realistic would any such assumptions be?

Sammy Wilson (East Antrim) (DUP): Will the hon. Gentleman give way?

Mr. Todd: It is a bit unfair to do so when someone else is coming up, I am afraid—particularly as I am his MP.

I represent a constituency adjacent to East Midlands airport and live under one of the flight paths. I also participated in an Industry and Parliament Trust attachment to UPS, but I think that Members will interpret that, in this debate, I do not necessarily represent its sentiments. The airport is not always the best neighbour to those who live close to it. It is the largest dedicated freight airport in the UK and the hub for two of the main freight integrators. Its carriers are modernising their fleets rather too slowly, and the duty could, if applied properly, incentivise that process. I conclude by saying yes to a tax, but design it properly, please.

3.27 pm

Mr. Bob Laxton (Derby, North) (Lab): I very much share the views of my hon. Friend the Member for Manchester, Blackley (Graham Stringer). My view is simply that the proposals for consultation are fundamentally flawed, that the new tax will not produce the environmental benefits that are claimed for it, that it is unlikely to provide any additional revenue to the Exchequer and that it will simply damage the UK's competitiveness and, particularly, its employment.

I stand in the Chamber between two colleagues, my hon. Friends the Members for South Derbyshire (Mr. Todd) and for North-West Leicestershire (David Taylor), who may have slightly different views from me, but all three of us live close to East Midlands airport. Although I live well within the area where one picks up the noise that the airport generates, I believe that it is a very positive facility in the east midlands. It has been a real job-generator; it is a successful airport, with 6 million passengers passing through it; and, by volume, it is probably the largest parcel hub in the UK. The East Midlands Development Agency has stated in its regional economic strategy:

> "In the context of international trade and competitiveness, the ongoing function and success of (the airport), particularly as a strategic express freight hub, is important as it is one of the region's key economic assets."

The companies that operate out of the airport, such as UPS, DHL and other, smaller, freight-forwarding companies, have invested about £70 million, which has created a large number of jobs. I shall knock around a few figures, which my hon. Friend the Member for North-West Leicestershire may contest, but if we consider the direct, indirect and induced impact of jobs, the number of jobs is about 9,000 to 10,000. Certainly, at the airport itself, about a couple of thousand people are employed on activities that are directly associated with incoming and outgoing freight, and a good number of them are my constituents and the constituents of my neighbouring colleagues, my hon. Friends the Members for South Derbyshire and for North-West Leicestershire.

I am concerned about the impact on jobs. The proposed aviation taxation is likely to lead to the danger of companies like UPS and DHL pulling out, retracting into Europe and back-shipping by road many of the parcels and bits and pieces that currently fly into the airport. That would be disastrous for the region, and it would also be disastrous environmentally. That is why I support the views of my hon. Friend the Member for Manchester, Blackley. The proposed taxation is bad news, and the Government should think again.

3.30 pm

Mr. John Leech (Manchester, Withington) (LD): I add my congratulations to those already given to my fellow Manchester MP, the hon. Member for Manchester, Blackley (Graham Stringer), on securing this important debate on the future of air passenger duty and its proposed replacement by aviation duty. When I found out this morning that the Treasury was responding to the debate, I thought that I had better check that I had not been transferred from the transport team to the Treasury team. I was relieved to hear that I am still a member of the transport team. However, I have been given the job of responding to this debate.

Air passenger duty is unsustainable. It provides no incentive for airlines to invest in more efficient and less environmentally damaging aircraft, nor does it incentivise against the use of half-empty planes. Hon. Members may recall a parliamentary question to the Prime Minister of 16 July in which the Liberal Democrat shadow Secretary of State for Transport, my hon. Friend the Member for Lewes (Norman Baker), highlighted the scandals of BMI's intention to fly empty planes to keep its slots open and Flybe's hiring of actors to fly between Norwich and Dublin to boost passenger numbers. Such things are clearly not acceptable. The Liberal Democrats therefore welcomed the consultation on aviation duty, and we welcome the principle of replacing air passenger duty with aviation duty as a positive step forward in cutting carbon emissions.

Since 1990, the proportion of total UK carbon emissions coming from aviation has more than doubled from 2.5 per cent. to 5.8 per cent. Since the Government have given the green light to the expansion of airports in the aviation White Paper, emissions are due to rise by up to 83 per cent. on 2002 levels by 2020. Greenhouse gases from aviation are expected to be responsible for 25 per cent. of the UK's contribution to global warming by 2020. Bold steps must be taken to tackle that problem.

Aviation duty is only one part of the issue. We want a cap on airport capacity in the south-east, including no expansion of Heathrow or Stansted; the inclusion of aviation in the UK emissions target in the Climate Change Bill; an additional per passenger climate change charge on domestic, non-lifeline flights in the UK; and the development of an internationally agreed aviation fuel duty. At the same time, we want to encourage

domestic passengers away from flights and on to the railways. We support a new high-speed rail link to the north and beyond. I am glad to see that the Conservative party has followed our lead on that.

The Liberal Democrats have long argued for a change to a per plane aviation duty, but we support basing that duty on the carbon emissions produced by the aircraft rather than its take-off weight. That would encourage aircraft manufacturers not only to build lighter planes, but to invest in lower-emission engine technology. Will the Minister explain why the Government favour maximum take-off weight when that will not encourage the use of newer, more environmentally friendly engines?

Opponents of aviation duty have claimed that although it should in theory incentivise airlines to offset the cost of the tax by carrying as many passengers as possible on each flight, there will be little practical benefit, because over the past 20 years, planes have gone from being two-thirds full to three-quarters full. However, that does not take into account the sharp discrepancy between different flights and airlines, particularly between chartered flights, which are often busy and full, and scheduled services, many of which remain half full or less.

Manchester Airport Group has expressed concern that while air passenger duty is a transparent, fixed fee that can be shown clearly on the ticket as a green tax, aviation duty will be based on a number of variables. If it is not transparent, it will be perceived as simply a stealth tax. I have some sympathy with that argument, but it could easily be overcome by ensuring that passengers or freight carriers are made aware of the aviation duty that they are paying within their ticket price.

Concern has been expressed about the impact of including freight in aviation duty. Manchester Airport Group has suggested that that could lead to freighters introducing a stop en route from the UK so that they are taxed only for the first leg of the journey or that the UK will be bypassed altogether, with transhipments using mainland European hubs and with freight being brought to the UK by road instead. It is an anomaly that freight-only flights should have been exempt from paying a form of aviation duty, so we therefore support their inclusion. I pay tribute to the hon. Members for North-West Leicestershire (David Taylor) and for South Derbyshire (Mr. Todd) for making those arguments and countering those made by opponents of the proposal. It is vital that the air freight industry take into account the carbon cost of transporting goods by air.

Sammy Wilson: I have listened carefully to what the hon. Gentleman has said. I am interested to know the impact on passenger costs in the UK and internationally of all the proposals put forward by the Liberals. On freight transport, has he made any estimate of the impact on carbon emissions that would result from airlines switching from British to European airports and then carrying goods into the UK by road?

Mr. Leech: I cannot give any exact figures. It is vital that we know what the Government are doing to encourage other European countries to follow our lead and I hope that the Minister will say something about that. I do not accept the argument that we should not do something simply because no one else in Europe is doing it. We should be taking a lead on this issue and ensuring that the rest of Europe follows.

We believe that the Government have got these proposals horribly wrong, given their intention that airports rather than airlines should collect the duty. Manchester Airport Group estimates that it would be expected to collect about £400 million a year in aviation duty at Manchester airport alone, which is more than the combined turnover of the four airports in the group. That would make the group's main business tax collection rather than running successful airports. Surely it is more logical for airlines to continue to pay HMRC directly, rather than adding an additional unnecessary tier of administration. There is great potential for airports to be saddled with unnecessary bad debts even though the tax will already have been paid by passengers and freight customers. Additional costs will be incurred for staffing and administration. Will the Minister explain what will happen if an airline that owes aviation duty to an airport goes bust? Will she assure the House that the debt will not fall on the airport?

Finally, I urge the Minister to look carefully at the proposed distance banding system. We support the introduction of more distance bands to ensure that a flight's band better represents the distance travelled and its emissions. That would help to protect lifeline flights from areas like the highlands, where there is no real alternative to air travel on domestic or international routes.

3.39 pm

Justine Greening (Putney) (Con): I shall try to keep my comments brief. Because so much has been discussed in this debate, I want to ensure that the Minister has ample time to respond.

There is no doubt that people approach the whole area of environmental tax with a massive amount of scepticism as the result of things such as the road tax earlier this year. The Government introduced proposals which, on the face of it, could have had a positive impact on the environment and changed behaviour but were found not to work effectively when one considered their substance. Broadly, that is our concern in this case.

I congratulate the hon. Member for Manchester, Blackley (Graham Stringer), and I thoroughly understand his concerns. It is clear that there is consensus on some areas, including the methodology by which the charge will be levied—the maximum take-off weight—and the collection methodology. I shall briefly touch on those matters. As the Opposition spokesman, it is worth my reinforcing points that have been made.

Let us not forget that the Conservatives proposed reforming air passenger duty because of its impact on the environment. We recognised that, in some situations, planes were half empty. We have heard that some planes fly with virtually no passengers and pay no tax, yet they cause the same amount of environmental pollution as a full plane. There is clearly a need to reform the tax so that, from an environmental perspective, it works more effectively. The question is whether the Government proposals will achieve that.

Perhaps the Minister could discuss in detail whether Government thinking has moved on since the consultation. The current proposal, which is to use maximum take-off weight, simply will not achieve what they say they want to achieve in changing environmental behaviour. As we heard, it is not a good enough proxy for the environmental effect of the aircraft that will be subject to the tax, because it does not take emissions into account.

[Justine Greening]

The hon. Member for Manchester, Withington (Mr. Leech) asked why maximum take-off weight had been chosen. My understanding is that the Treasury believes that the data on emissions from aircraft are not good enough for people to be able to use carbon dioxide or nitrogen oxide emissions, but, frankly, I do not accept that argument. Data are available, and if the Government are to reform air passenger duty, they must take responsibility for doing so and ensure that it works effectively.

As Members will be aware, I, too, have an airport near my constituency. I am constantly being told that the extensive and time-consuming work that was done by the Government and the Department for Transport on expanding Heathrow focused mainly on the environmental impact of the fleet—and the future fleet—using that airport. I would therefore be amazed if a Treasury Minister said in this debate that there was not enough information. I urge the Minister to live the joined-up government dream and start talking to the Department for Transport, because it has data that can be used efficiently and effectively to make an emissions-based pollution calculation which would work much better than the proposal to use maximum take-off weight.

On the collection system, I have not heard anyone, whether in discussions with the industry or in this debate, who thinks that it is a good idea for airports to take collection on board. The old saying, "If it ain't broke, don't fix it," comes into play. Again, I would be interested to hear whether the Government are listening to representations from the industry and from Members, and whether they are considering changing the approach that they say they will push on with, which is getting the airports to collect. I shall not go into all the reasons why it would be difficult to do so. We all recognise that the proposal is, frankly, fraught with risk and danger. A much better approach is to leave collection to the airline operators, as is currently the case.

Freight is a much more contentious issue, and there was no agreement among Members who contributed to this debate. We must take care to find a balance between ensuring that freight pays its way, as it does emit pollution, and taxing freight companies out of the UK and thereby losing jobs. Finding that balance will be vital. To do so, the Treasury will need a carefully thought-through fact base if it is to understand exactly the likely impact of the pricing level of aviation duty on the freight industry.

At present, we do not know what level the Minister is proposing to place on freight. We will all look at that key issue with real interest, because there is a danger that levels of taxation that are too high will put at risk some freight operators' logistics and operations in various regions of the country. That includes the Manchester region, which we have discussed today, but also airports such as Kent International. We must be extremely careful that we do not embark on a blunderbuss approach and, by overtaxing, achieve the exact opposite of what we want. Freight can be included in any new duty, but that needs to be done sensitively so that the industry is not, in effect, taxed offshore, which would not be good for anyone.

Mr. Leech: I have been listening carefully to the hon. Lady. So far, she has not said anything about Conservative policy. Does her party have a policy on whether to replace air passenger duty?

Justine Greening: My party drew up its policy before the Government. It was actually the Conservative party, in a relatively lengthy consultation document, that first proposed moving to per-plane duty. We obviously have a policy. Our concern is that any policy must be made to work effectively and efficiently, and we think that neither of those criteria is met by what the Government are proposing. That has come through clearly in comments made in this debate. It is important that the Minister tells us a little more about whether the Government are willing to take those concerns on board and make changes.

Finally, I urge the Minister to set out the Government's time line for resolving the outstanding aviation duty issues. When will we hear final decisions on the exact tax? When will the industry find out what the proposal is, and will it have time to prepare for any change? Many of us are beginning to wonder whether we will hear about the proposal in the pre-Budget report—perhaps she could confirm that we will—or whether the Government are now thinking that it will take longer to reach a conclusion. If the Minister could explain the time line for finally getting a conclusion from the Treasury, it would be welcomed by everyone.

3.48 pm

The Exchequer Secretary to the Treasury (Angela Eagle): The debate has been wide ranging. What came through the most is the expertise of hon. Members, initially in the very able speech of my hon. Friend the Member for Manchester, Blackley (Graham Stringer), who was successful in his bid for a debate on this important issue. We have heard a microcosm of the consultation process that I have been involved in at the ministerial level with various stakeholders who have been in to see me. Those stakeholders included many hon. Members, as some were kind enough to mention, who have attended this debate but also many other people with particular interests in the issue.

It is important to note that we have tried to have as open a consultation process as possible on the design, not on the rates; although we do not consult on tax rates, we do our best to consult on the design. Not all those who have been to see me accept that this should be so, and some want to consult on the rates. Obviously, some of the details about effects on particular sectors in the aviation industry are dependent on rate setting. However, we cannot have discussions ahead of announcements about such matters, as I am sure everybody understands.

The Government recognise the important contribution that aviation plays in both regional and national economies. We have heard in detail about that from many hon. Members and many of my hon. Friends. For example, aviation directly supports some 200,000 jobs and indirectly supports up to three times as many jobs. All the evidence suggests that the growth in the popularity and importance of air travel is set to continue over the next 30 years. The Government are committed to supporting the sustainable growth of the aviation industry.

My hon. Friend the Member for Manchester, Blackley, in a comprehensive speech, mentioned a range of worries that reflect those of his own regional airport, which I

saw in April. Representatives from that airport have continued talking to hon. Members and hon. Friends about their worries, particularly with respect to disproportionate regional effects, including the potential effect on the freight industry and whether there will be environmental savings. I have said to all those who have been to see me, "Please give us the data that you are worried about. Please give us the elasticities of some of your routes, including the ones that you think are vulnerable, so that we can try to work out, behind the scenes, before we set rates, the correct balance between enabling this tax to be effective and making certain that it does not have perverse effects". As the hon. Member for Putney (Justine Greening) said, we should see that it does not chase freight offshore—it is in nobody's interests to see that happen—so the elasticities of demand and use, and the economics of particular routes are important. I have said to all those who have contributed the 170 responses to the consultation, people who have been to see me personally, and people who have seen officials personally, "Give us as much information as possible, so that we can try to model these effects to make a sensible, reasonable decision about levels."

Mr. Donohoe: I just want to clarify whether there has been any dialogue between the Treasury and the Department for Transport.

Angela Eagle: I can assure my hon. Friend that there is constant dialogue between the Treasury and the Department about a range of issues. Officials from the two Departments have been in touch with one another to see how best we can model and design this tax: that is what the consultation has been about, in some detail.

I accept that there are arguments for saying that introducing a new tax with a different basis changes behaviour. It is question of how we can best anticipate and model that so that we can achieve our environmental and revenue-raising objectives without causing damage. Hon. Members have talked about the aviation industry and the positive effect it has, both technologically and economically, in our society. I am still trying to get out of my head thoughts of the hon. Member for Aldershot (Mr. Howarth) in his aeroplane, hopefully ahead of the major bomber that will be taking part in the flypast. The hon. Gentleman captures the enthusiasm of a lot of people who are interested in industries that were created a century ago and upon which the prosperity of our country has been based for many years. The Government have no wish to do anything but continue to encourage them to prosper and grow.

My hon. Friends the Members for Eccles (Ian Stewart), for South Derbyshire (Mr. Todd), for Derby, North (Mr. Laxton), for North-West Leicestershire (David Taylor), and for Aberdeen, South (Miss Begg) made important and pertinent points. I can assure all of them that each detail is being kept in view in the work that is going on to design the tax. We are aware of all the issues to do with chasing freight offshore, the issues affecting particular regional airports and, obviously, of the economic benefits that come with having an expanding regional airport doing business. Clearly, Aberdeen has its own international context, which my hon. Friend the Member for Aberdeen, South talked about a great deal. Taking all these things into account is an important part of our design for the tax.

Opposition Members and hon. Friends talked about the way in which the tax was being modelled, particularly about whether using the maximum take-off weight was the right basis for the tax. This is probably the best proxy that we can get, in the current circumstances, upon which to base the tax, because we are trying to find an objective, uniform measure or combination of measures that will define an aircraft's flight, and maximum take-off weight is a reasonable one. Many hon. Members have said, understandably, that emissions would be a better basis on which to levy the tax, but the difficulty is the Chicago convention. Charging for emissions on routes has already been deemed illegal in the European courts, so it is dubious in the extreme whether we could charge a tax purely on emissions for those purposes, given our international agreements. We therefore have to find a proxy. We consulted on maximum take-off weight, and heard about some of the problems that have been raised in today's debate. We are happy to listen to other observations about whether we could use nitrate emissions and various other things, but the key to levying a tax is that it has to be simple enough for people to understand in advance what their liability is likely to be, robust enough not to vary between different flights by the same aircraft, and stable enough. Again, if hon. Members in the Chamber have other views, or have been in touch with stakeholders who have other views, I should be happy to hear them. However, we are still of the opinion that maximum take-off weight is probably about the best proxy for emissions that we have at the moment.

Justine Greening: Will the Minister give way?

Angela Eagle: Yes, but I have only two minutes and I wish to deal with another issue raised by my hon. Friend the Member for Manchester, Blackley.

Justine Greening: Will the Minister confirm that it is not lack of data that has prevented the Government from taking a different opinion? Is she saying that it is a legal issue rather than a lack of data?

Angela Eagle: It is not only a legal issue. If the hon. Lady looks at paragraphs 2.14 and 2.17 of the consultation paper, she will see that we say that nitrous oxide emissions "have been shown to provide a reasonably good correlation to emissions en route". However, we are not assured there is enough robust, comprehensive data to base a tax on those emissions. There are therefore some technical issues that would put uncertainty into the tax base, which is not desirable. A combination of reasons have led us to use maximum take-off weight as the best proxy that we have for pollution and CO_2 emissions in this instance.

My hon. Friend the Member for Manchester, Blackley asked whether we were confident that the proposed tax was legal. We have taken legal advice. We would not propose a tax that we thought was illegal, since that is not a sensible way for Governments to behave. I suppose one can always find a lawyer to take a contrary view, but the way things stand, our legal advice is that we have a robust legal case for taking this tax forward and we will proceed with that advice. My hon. Friend asked whether I would publish our legal advice. That is a nice try, but he knows that Governments do not publish their—

Mr. Martin Caton (in the Chair): Order. We now move to the next debate.

Population Estimates (Westminster Council)

4 pm

Mr. Mark Field (Cities of London and Westminster) (Con): The City of Westminster is one of the most complex and diverse districts in the United Kingdom. As the cultural and political hub of our capital city, it attracts a vast number of people each and every day, on top of the residential population, who either come to work in Westminster or to visit its wealth of attractions.

Unsurprisingly, it is also a destination of choice for people arriving in the United Kingdom for the first time. Many plan to work for a short period before returning home, and others hope to make new, permanent lives here, but the true extent of that population is unknown. Hidden from official statistics are the asylum seekers awaiting a decision from the Home Office, countless migrant workers from the European Union who are often willing to sleep in crowded rooms, illegal immigrants working in the black economy, and of course those whose application for leave to remain has been rejected but who are yet to be removed.

At 24 per cent., Westminster has had the greatest proportionate increase in population since 2001—the time of the last census—of any local authority in the United Kingdom. That tide of humanity must be catered for, but in this unique area of hyperdiversity and hypermobility it is uniquely difficult to assess its extent. That is a problem because population figures form a key part of the Government's calculations to distribute grants to local councils, as the Minister knows.

Westminster city council has repeatedly warned the Government that current methods of counting migration are simply not keeping pace with modern patterns of population movement. Consequently, the council and many other areas where migration is high are locked into a three-year grant settlement, which leaves Westminster paying £6 million every year for those unaccounted-for people living within its boundaries.

No doubt migration will always be a sensitive issue, but the failure of the Office for National Statistics properly to measure its extent will mean London council tax payers shouldering the burden without the benefit. Unless the Government address the problem urgently, they risk losing public good will with serious consequences for the cohesion of our communities.

I should point out at this stage that this is not a narrow, partisan, party political issue. I share representation of the City of Westminster with the hon. Member for Regent's Park and Kensington, North (Ms Buck) who sits on the Labour Benches, and we work hard together on this and a number of other local issues. It has often been at the hon. Lady's behest that we have had meetings with Ministers in years gone by.

Many of the problems with population figures are attributable to the lack of a single, all-inclusive system to measure the movement of people into and out of the UK, and the absence of such a system to allocate those migrants to the place where they reside. Westminster city council's grave concern is that the population figures used by the ONS in the calculation of Westminster's grant allocation are incorrect and significantly underestimate the area's population. Consequently, the council encounters difficulties in providing the full complement of services for its residents, both permanent and temporary.

No one disputes that Westminster is a particularly attractive place for migrants to work, especially as they can avoid London's travel costs and often find employment easily in the capital's service sector. Research commissioned by Westminster city council found that many choose to live in crowded accommodation, and are often classed as mid-term migrants, staying for between three and 12 months. Yet the methodology adopted by the ONS does not include in its population figures migrants who say that they intend to stay for fewer than 12 months. That omission is significant in an area such as central London, but I appreciate that it applies not only to Westminster but to one or two other local authorities. Independent research has shown that Westminster has more than 13,000 illegal migrants within its boundaries at any one time and, in addition, around 11,000 short-term migrants who are not registered in the official statistics for the reasons that I have set out.

The Government are not unaware of the problem. Westminster city council has campaigned on the issue ever since the ONS was found to have missed more than 22,000 people from the 2001 census count of the borough's population. Westminster's specific case was investigated by the Statistics Commission before the UK Statistics Authority replaced it. Recommendations were made for migrant data to be improved urgently after the quality was found to be "presently wholly inadequate".

I am afraid that no action was taken, and in May 2006 the commission had to write again to the Home Office. It concluded:

> "Work by the Statistics Commission three years ago indicated that there was very wide agreement across Whitehall that statistics relating to migration, both internationally and within the UK, need urgently to be improved. But thus far we have seen little evidence of real progress being made".

More worryingly, the commission gave its original warning before the European Union's enlargement in 2004, which took in the A8 accession countries of the Czech Republic, Hungary, Estonia, Latvia, Lithuania, Poland, Slovakia and Slovenia. The Government's colossal underestimation of the number of people arriving from those countries has been well documented, and the issue did not affect only Westminster.

Local authorities have borne the brunt of service provision for the countless hundreds of thousands who came to our shores without adequate support as a result of the Government's failure to prepare. Another two countries have since been added to the EU—the A2 nations of Bulgaria and Romania acceded on 1 January 2007—and the House of Lords Select Committee on Economic Affairs acknowledged last year that

> "there is currently no satisfactory source which can provide the raw information, at national and local levels, that is required for statistical purposes".

The ONS has recognised the difficulty of measuring Westminster's population and has expressly excluded it as a field test authority for the forthcoming 2011 census on the grounds that

> "our methods might be sufficiently good enough for more typical cities."

The understandable fear, which the hon. Member for Regent's Park and Kensington, North and I share, is that the council could again face problems at the next

census and beyond, given the importance of the census figures for the calculation of grant in the decade to come.

The volatility and confusion in population estimates make it almost impossible for local authorities to plan ahead with certainty. While the Government reap the rewards of migration through increased income tax and value added tax, and the higher productivity of British business, local authorities are trapped with the costs of an increased population without being given a fair share of funding. The impact on services and quality of life in areas of high migration is significant in terms of housing, community protection, schooling and adult services. In 2006-07 alone, the council incurred costs of more than £1 million just for supporting people who do not even have any recourse to public funds. That represented only a fairly small proportion of the migratory flow.

Many A8 migrants choose to live in private sector housing, and that has increased rents, applying further pressure to an already oversubscribed social housing market. Westminster's 2006 housing needs survey identified that increased overcrowding and household size was linked in part to a growth in houses in multiple occupation. That adds further to the acute pressures on affordable housing in an area where 44 per cent. of children already live in overcrowded accommodation. As the local Member of Parliament, I can testify to that.

The two most common issues in my constituency postbag are immigration and housing, and I reckon that I receive between 10 and 20 letters a week from families either struggling to obtain council or housing association property or hoping desperately for a transfer to a larger home. Westminster city council understands their frustration, but in a high-density, urban area the supply of affordable homes simply cannot keep up with the colossal demand. The average wait for a permanent home for someone accepted on to the list today is likely to be between four and five years. For a family in a one-bedroom property needing a two-bedroom home, the transfer wait is currently six years, and for a three-bedroom home it is seven years and eight months. For those wanting to trade up to a four-bedroom home the wait is apparently, if academically, 27 years and seven months.

Furthermore, since 2004 London has seen increases in A8 migrants sleeping rough. Westminster city council has worked hard to tackle the needs of new arrivals and has worked with central Government agencies. I do not wish to offer too much criticism, because there have been significant improvements. The situation has ebbed and flowed at various times, and we have been trying to prevent nearly 400 A8 nationals from falling into long-term rough sleeping. I highlighted that work in a speech I made in this Chamber in January last year, when I warned the Government about the increasing pressure on homelessness services following the A2 enlargement of the EU; indeed, where I felt it was appropriate, I also complimented Government action.

Once A2 or A8 nationals have completed 12 months' continuous employment as registered or authorised workers, if they remain in the labour market they have the same access to Jobcentre Plus services as any other citizen. The flip side of that is, of course, that Jobcentre Plus refuses to help A8 nationals to find work if they have not already been employed for that period. Those men and women rely on their local authority for support and advice and can all too often fall into homelessness, addiction and the other problems that arise in those circumstances.

The Westminster drugs and alcohol team is under increasing pressure to assist clients from EU accession nations who have fallen into alcohol dependency and drug addiction. Unfortunately, the influx from A10 countries has also had an impact on the council's community protection operations. Strong evidence suggests that pockets of petty theft in the west end and persistent organised begging operations are being initiated by Romanian migrants. In fact, after several constituents complained to me specifically about aggressive begging in shopping districts, I had to raise the issue independently with City of Westminster police. The borough commander Steve Allen informed me that the police have had to put specific operations in place to combat a problem of which they are well aware.

Unfortunately, begging seems to be just one arm of organised crime that originates from eastern Europe. Automated teller machine fraud is another example of such crime, which, anecdotally, the local police have told me is conducted almost exclusively by Romanian gangs. I have tabled various parliamentary questions on that matter and was informed by the Home Office that it had no idea how much crime was being committed by Romanian nationals because country of origin data are not collected or collated in the crime statistics.

On education provision, short-term migration and the large number of migrants who move around the country seeking work cause significant problems in relation to the churn in schools. Such churn can leave teachers coping with a diverse class that has vastly different abilities in numeracy and literacy, and diverse cultural and language needs. Many children arrive mid-term and have no records, which has a significant administrative cost—about £400 for a primary school child and £800 for a secondary school child. In addition, extra support staff might be required to help migrant children with their learning and to liaise with related services. The council estimates that migrant families will contribute to a 10 per cent. increase in required school places in Westminster in the second half of this decade.

Child protection can be particularly difficult because of language and cross-cultural issues when investigating migrant families. In addition, mobility tends to be high, which makes investigations into problem families both costly and time consuming. With higher than average British birth rates, migrant families will often also have a greater reliance on primary health care facilities. A general confusion over who is entitled to assistance adds to service pressures, and there is increasing concern among local authorities about their legal obligations towards destitute people from abroad who have no recourse to public funds, such as failed asylum seekers or A10 nationals who have not worked for the requisite 12 continuous months. British citizens who have lived abroad for many years may also lose their right to benefits.

The obligation to support such foreign nationals with no recourse to public funds often arises as a direct result of a Home Office policy and practice, whereby support is withdrawn from failed asylum seekers, but they are not removed from the UK when their claim is finally refused. I have seen that phenomenon time and again in my constituency during the seven years I have represented

[Mr. Mark Field]

it, and I am no longer surprised to find that a constituent is still writing to me many years after being told that they are to be deported and that they are still homeless, still wanting work and still desperate.

The Home Office has failed to provide local authorities with adequate guidance in such circumstances to the extent that many are concerned that they might be acting ultra vires. If local authorities disregard immigration restrictions on access to public services, they may be acting outside the law; but equally, a failure to provide services where there is an entitlement could result in judicial review and a claim for damages.

For obvious reasons, Westminster city council receives no funding from the Government to assist its work in supporting foreign nationals who have no recourse to public funds. That puts increasing pressure on the council's departments, particularly adult services and health, to deliver services while maintaining strict budgets. Furthermore, regardless of benefits entitlement, all migrants are entitled to use leisure and culture facilities, and environmental services, join local authority-funded community groups, and have their children use local schools. Many migrants use the council's libraries and one-stop shops and their visits often take longer because of language and cultural barriers. We all want to live in a civilised society and no one can deny that it is important for such individuals to have the right to play a part in various community services, but that comes at a significant cost.

Clearly, there needs to be a fundamental and radical reform of population measurement between each census, so that local authorities are funded appropriately for their true populations. The Government have committed extra resources—some £12 million—to the improvement of population estimates and have shown an important degree of leadership in taking forward progress via the statistics improvement programme board. However, I fear that those commitments might be insufficient to bring about the reform of the population estimates envisaged by the former Statistics Commission and by some local authority users.

Last September, the Statistics Commission stated in its response to the Lords Economic Affairs Select Committee that

"sample surveys, of the kind typically carried out by statistical offices, are not the answer".

However, much of the work being carried out by the ONS to improve migration estimates seems to be centred on survey improvements, and if the plans to improve migration estimates are not more ambitious the council is concerned that the work being undertaken will simply replace poor data with the like. If that happens, confidence in official statistics could be irreparably damaged.

Widespread concern has been aired that the ONS is simply not being adequately funded to make the improvements necessary to provide confidence in migration estimates. The Bank of England believes the ONS's move to north Wales

"poses a serious risk to the maintenance of the quality of macro-economic data."

It is unfair to ask local authorities and the communities they serve to foot the bill or to suffer adverse effects to services while waiting for migration measurement to improve.

So what needs to be done? In the short term, the Local Government Association wants the Government to make a contingency fund of £250 million available to aid councils where migration estimates fail accurately to reflect the current population. The fund could be distributed via an agreed set of local and national administrative data, such as national insurance numbers and schools' surveys. Going further, until a resolution is found to the wider statistical problem, Westminster would like the Government to introduce specific grants to council areas that face pressures caused by short-term migration. In the longer term, the Government need to invest a significant sum in research to ensure that statistics produced on migration are accurate and reflect the true number of both long and short-term migrants living in Westminster and the country as a whole. There need to be radical changes to the methodology used to estimate and measure migration movements, as migrants who intend to stay for fewer than 12 months are not yet considered in population counts. The ONS needs to be adequately funded so that skilled, experienced staff are not lost.

I note that one of the Government's intentions is to introduce a transitional impacts of migration fund to build capacity in local service provision and support innovative projects from 2009-10. That response has come five years after A8 accession, and councils are still no wiser about how the fund will work and how it will be distributed around the country. The fund is unlikely to be the £250 million called for by the LGA and the Equality and Human Rights Commission, and is, I fear, too little too late.

In an area where there is continuous movement of short-term migrants who are regularly replaced by other short-term residents, the impact on council services is continuous. Westminster is one such area and the borough receives no extra Government funding to meet extra costs. Although that problem was highlighted after the 2001 census, it has, as I have said, been exacerbated. I accept that the issue is not just Westminster-specific, but the problem is particularly extreme in my constituency and borough. In areas across the UK where migration is high, I expect worryingly similar problems have been encountered: difficulties in educating a mobile and diverse population, difficulty in coping with extra demand on housing stock and new problems with community protection.

I accept that migration will always be a contentious issue, despite the clear economic benefits of hard-working migrants coming to our country. Perceived threats to an existing settled community from new arrivals will serve only to increase those tensions. Unfortunately, unless the Government properly fund local authorities, such threats may come to fruition.

I sent my speech to the Minister, so he is well aware of some of these issues. I apologise for taking slightly more than my allotted 15 minutes, but I wanted to put some of the issues on the record. Having had sight of my speech, he will perhaps be able to reply not just in this debate but to Westminster city council at a later stage. With the 2011 census only three years away, I call on the Minister to take urgent action to ensure that the Government get their house in order and reform the collection of vital population data.

4.20 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): It is a pleasure to serve under your chairmanship, Mr. Caton. I congratulate the hon. Member for Cities of London and Westminster (Mr. Field) on securing the debate. Given the unprecedented events taking place in the banking and wider financial sectors, particularly today's developments, I imagine that he is in a great deal of demand at the moment, but I pay tribute to the hard work that he undertakes not just on behalf of the square mile, but for his entire constituency. He has demonstrated that commitment today.

As the hon. Gentleman mentioned, the calculation of the population census, population estimates and population projections is the responsibility of the ONS. Those statistics are used for a wide spectrum of purposes and by a range of users, including the Department for Communities and Local Government, where the statistics are used in part for the funding of local government through formula grant. As a Department with a key interest in the statistics, we are also involved in the cross-Government, ONS-led work to improve the statistics over future years. I would like to outline some of the improvements if time allows, but the hon. Gentleman raised specific points and I am keen to deal with those detailed concerns. If I do not have time to deal with them all, I will write to him.

We recognise that some local authorities are experiencing more challenges than others in dealing with recent levels of international migration. My Department is working with local authorities to manage the transitional impacts of migration on local areas and communities. As set out in the document entitled "Managing the Impacts of Migration: A Cross-Government Approach", the Government have put in place a programme of financial and practical support for local service providers to help them to manage migration, to maximise the benefits and mitigate the transitional impacts experienced by local communities.

That includes a substantial cross-Government programme to improve population and migration statistics to ensure that the data on which local government funding is based are as good and as robust as possible. I shall return to that if time allows. We have also provided a £50 million investment in community cohesion over the next three years to help local authorities to respond to their particular challenges, including issues relating to migration. We have made available an exceptional circumstances grant for schools that either experience a rapid growth in pupil numbers during the period between the January pupil count and the start of the academic year in September, or that have a significant number of children who have English as a second language.

In February 2008, in the earned citizenship Green Paper, we announced our intention to set up a fund to manage the transitional impacts of migration, providing tens of millions of pounds to local public services dealing with high levels of migration. We are working with the Improvement and Development Agency on the migration excellence programme to share good practice among local authorities and promote peer mentoring.

The hon. Gentleman mentioned the fact that short-term migrants are not included in the population estimates. That is because the ONS estimates relate to the usually resident population of each area, so only long-term international migrants are included in the estimates. They use the United Nations recommended definition of a long-term international migrant—anyone who moves from their country of usual residence for at least a year. However, the ONS has recognised the interest that Westminster council and others have shown in the possibility of producing estimates of short-term migration. As a result, and as a product of its improvement work, this year the ONS has already published national-level estimates of short-term migration for mid-2004 to mid-2006 on an experimental basis. The ONS plans to publish a feasibility report on its plans for producing local estimates. That report is expected by the end of the year. If, after that, reliable estimates for that group of migrants at local authority level became available, we would be able to consider more carefully whether to include those data in the three-year grant distribution system. However, that would need to be considered in the same way as any other changes to the formula system, through discussion involving the official-level settlement working group and consultation.

In relation to the improving migration and population estimates programme, it is important to know that that work involves local government in a number of ways, as both data suppliers and data users. Local government is represented on the programme board and in the working groups by the Local Government Association. The ONS and the LGA are holding an open workshop to explain the research that has been undertaken towards the end of 2008. Implementation seminars are likely to be held in April or May 2009 further to explain any changes to the estimates. I suggest that the hon. Gentleman encourage Westminster council to take the opportunity to engage with the ONS through those workshops.

The hon. Gentleman mentioned three specific issues regarding funding for Westminster: the three-year formula grant settlement; affordable housing and homelessness; and foreign nationals' recourse to public funds. I would like to deal with each of those in turn. With regard to the three-year formula grant settlement, the Government worked closely with local authorities in the context of the comprehensive spending review 2007 to examine all pressures on councils up to 2010-11 and the ways in which those pressures could be mitigated and managed. Councils will receive an additional £8.91 billion over this CSR period in total Government grant.

With regard to distributing formula grant to local authorities, the amount of grant paid to a local authority is based largely on its socio-economic and demographic characteristics and its relative ability to raise council tax locally. We then ensure that every authority receives at least a minimum increase, which is called the floor, on a like-for-like basis—that is, after adjusting for changes in funding and function. Understandably, population forms the main element of the demographic characteristics, and we use the ONS population projections, split into different age groups where appropriate, as the client group for most of our relative needs formulae, but it is not the only factor that determines the funding allocation. I stress that, to be fair when calculating local government finance settlements, we have consistently used the best data available at the time and that those data have to treat all authorities consistently. We took that approach when calculating the final 2008-09 settlement and the provisional 2008-09 and 2009-10 settlements in January.

[Mr. Iain Wright]

For population projections, the best data available at the time were the revised 2004-based sub-national population projections published by the ONS in September 2007. That means that for the population client group for Westminster, we used the population projection for 2008 of 256,266 in the 2008-09 settlement, 262,592 in the 2009-10 settlement, and 268,569 in the 2010-11 settlement. In turn, Westminster received a 2 per cent. increase in formula grant on a like-for-like basis for 2008-09 and benefited from the floor damping mechanism by £14.4 million. Other local authorities were not so fortunate with the damping mechanism. Furthermore, in 2009-10 and 2010-11, Westminster will receive increases of 1.75 per cent. and 1.5 per cent. respectively and will again benefit from the floor damping mechanism by £8.5 million and £2.7 million respectively.

I will write to the hon. Gentleman, but I want to mention, because it is a particular passion of mine, affordable housing and homelessness in Westminster. Tackling the shortage of affordable housing is central to our efforts, and it is a major part of my work and priority as a Minister. As the hon. Gentleman said, demand for homes to buy or rent is growing faster than supply, and it is the most vulnerable in society who suffer from housing shortages. We have at our disposal some £8.4 billion for new social housing until 2010-11, and we will build some 45,000 new social homes a year. This year marks the 10th anniversary of the Government's strategy to cut rough sleeping by two thirds, with the longer-term goal of bringing levels as close to zero as possible.

Local leadership underpinned by our Supporting People programme, along with local homelessness strategies, has promoted effective partnerships and improved services. In December 2007, I announced homelessness grant funding of at least £200 million over the next three years to continue to support local authorities and voluntary sector organisations to tackle and prevent homelessness in their area. That was the largest ever cash injection for homelessness services in this country. Westminster received £6.6 million for 2008-09, which was the largest homelessness grant allocation ever provided for London.

I do not have time to discuss foreign nationals with no recourse to public funds, but as the hon. Gentleman suggested, responsibilities—

Mr. Martin Caton (in the Chair): Order. We have to move on to the next debate.

Affordable Housing

4.30 pm

Andrew George (St. Ives) (LD): I am delighted to have secured this important debate, which follows on from previous debates that the Minister has had with me and many other Members. The issues that I intend to raise today are not necessarily specific to my constituency, although I shall mention some issues that arise there. I am delighted to serve under your chairmanship, Mr. Caton, and to have the opportunity to debate the subject again with the Minister, who has been very generous in offering advice. However, as I shall say in a moment, I hope that he will be less constrained today than he was in yesterday's debate in Westminster Hall, when we debated the regional spatial strategy for the south-west.

The subject of affordable housing presents a vast and varied picture, but I want to address two aspects of it. The first relates very much to yesterday's debate. The canvas on which we paint our response to the need for affordable housing clearly has to be the existing planning and housing strategies. The regional spatial strategy obviously has a significant impact on the ability of local authorities to respond.

Secondly, I want to reflect on the impact of the present financial crisis, particularly in relation to today's announcement about the bank rescue package, and especially the impact of the crisis on the most vulnerable people. In response to interventions during his speech yesterday, the Minister said:

> "Let me get to the very heart of my response. As the House is aware, owing to the quasi-judicial role of the Secretary of State in this matter, I am very limited in what I can say... there is clear guidance for Ministers, based on advice from the Law Officers and first Treasury counsel. A copy of the guidance can be found"—

and so on. The Minister then said:

> "The guidance states that Ministers should not enter into discussions with interested parties".—[*Official Report, Westminster Hall*, 7 October 2008; Vol. 480, c. 46WH.]

I checked the guidance myself. There are two versions, but the one to which the Minister referred—as he properly said in our previous debate, it was produced prior to the Secretary of State's proposed changes to the regional spatial strategy—clearly constrains Ministers. That is clear as far as those stages of the development of the regional spatial strategy are concerned. However, paragraph 17 of the document on guidance to which he referred states:

> "However, such discussions can take place once the Secretary of State has published her proposed changes for consultation, so long as a formal note for the file is kept of any such discussion which is made publicly available."

I should have thought that *Hansard* was a pretty good note, and it is certainly publicly available.

I hope that the Minister will feel less constrained today than he did yesterday, in view of my reading of the advice in that guidance. Perhaps we can look a little more carefully at some of the points that I raised in a debate on 25 June, and clarify the extent to which the regional spatial strategy is the product of the collective will—the desire of the population in the government zones, in this case, of the south-west—or that of the Government. Does he agree that the lessons of the past, particularly trend-based projections, should inform the

production of the strategy? Does he accept that many of the unique challenges faced by the Isles of Scilly that I mentioned in that previous debate are shared in other areas?

If one wanted to create a new structure of unaccountability, the regional spatial strategy would certainly be a good model on which to base it. First, it is not based on a region that exists, in the sense that it has its own internal integrity or community of interest. It is obviously a bureaucratic construct for bureaucratic convenience, and it is served by an assembly that is not directly or democratically elected. It is a relatively flimsy, remote and permissive body, and it is about to be disbanded. It suffers all the constraints of being an agent of the Government rather than being able to make decisions with the latitude that one would expect of a body that was able to draw up a regional strategy.

The response from local authorities and others to the process that has led to the current state of affairs shows that, for a number of justifiable reasons, the proposed changes are inappropriate. For instance, they give too much weight to trend-based projections of household growth when compared with other planning considerations such as the impact on settlement character and infrastructure, and the need to balance housing with job growth. They are based on projections and a distribution that lack adequate evidence and justification. They also contradict other Government policies on the environment and climate change that give justifiable protection to other areas under other planning polices.

As I pointed out in a previous debate, if people wanted a classic example of how trend-based projections do not work but become part of the problem rather than the solution, they should come to Cornwall and see what has happened there over the past 40 years. Our housing stock has more than doubled over that period. Cornwall and its people cannot be criticised for being nimbys. «Because of the imposition of trend-based projections and as a result of following them through, we have permitted and even encouraged development; in fact the area has the third-fastest growth in the United Kingdom. However, the housing problems of local people have become significantly worse.

One conclusion that we can draw from that example is that growth has been relatively unsustainable. The sheer rate of change has created real problems in many parts of Cornwall, and it has been difficult for the infrastructure of the place to keep pace with the changes. Having allowed it to happen, the real question is whether the building of all those houses has added to the problem. It certainly has not addressed our housing needs. Perhaps we should take a more sophisticated approach. Perhaps local authorities in Cornwall should enter into a dialogue with the Government rather than simply allowing things to carry on.

Tim Farron (Westmorland and Lonsdale) (LD): On that point, will my hon. Friend press the Minister to ensure that the planning system is mended? Indeed, funding provided out of the £8 billion set aside for social housing to ensure that we get more affordable housing in a managed way in rural areas could formally support my "Home on the Farm" scheme, which already has the backing of the president of the National Farmers Union and of South Lakeland district council. It would allow the conversion of unused or disused farm buildings for the specific purpose of social housing for local families.

Andrew George: I am grateful to my hon. Friend for his intervention, and I am aware of the interesting "Home on the Farm" initiative. I hope that he will send a copy of it to the Minister, as it could provide a solution, particularly in remote rural areas.

Although farmers and landowners in my constituency and in my hon. Friend's constituency are paragons of rectitude and virtue, and one can rely on them without having to surround them with all the covenants and legal restrictions of section 106 obligations to achieve genuine affordable housing in perpetuity for local people on their land, sadly that is probably not necessarily the case in the rest of the country. The one thing that we need to do in the proposal is ensure—this is a belt-and-braces approach—that public good results from any permission that is granted on those farm buildings. That needs to be enshrined in the proposal, because, as my hon. Friend knows—it is also true in my constituency—when redundant farm buildings such as barns become available, planning authorities, applying existing planning law, will allow them to be converted for holiday accommodation, but not to meet local housing need. In fact, there is a way forward. It does not require an Einstein to propose a method to manage such developments, even if they are not attached to the local community, which is to say within reach of a local shop, bus service or school. Many local families could benefit from the kind of accommodation that my hon. Friend described. I hope that I have endorsed what he said, and that he will continue to pursue the matter.

As was mentioned in the debate on 25 June, the RSS does not apply to the Isles of Scilly in the same way that it does to mainland Cornwall. There is no attempt to apply proportionately the Government's target of 3 million homes by 2026 to the islands. In effect, the RSS says that it is a local-need-only housing development plan for the period. However, I question the justification for giving the islands what is effectively a locals-only development constraint—although it is right that it does—when that is not extended to other areas that experience the same problems.

I believe that I have demonstrated that the Minister is less constrained than he was in yesterday's debate. Does he accept that it is reasonable to advance the debate about the ownership of the document and the process as I did earlier? Does he agree that the lessons of the past are relevant, especially regarding trend-based projections of population growth and housing need, and that the RSS should be a plan with internal integrity and not simply a hotch-potch or collation of Government-imposed targets? Will he explain why the challenges of meeting affordable housing need on mainland Cornwall do not apply to the Isles of Scilly?

In the light of today's announcement of the bank rescue package, what progress have the Government made to provide a rescue package for those at the bottom of the housing ladder, who are suffering most from the impact of the credit crunch and the current financial instability? I ask that question, bearing in mind that just the other day, there were 50 repossessions in court in Penzance, as reported in the papers. Apart from the Bank of England's special liquidity scheme,

[Andrew George]

which was announced in April, the Government have clearly indicated a desire to act. I congratulate them on announcing initiatives, but it is a question of applying them. I am talking about the rent-to-buy pilot, the new shared equity and mortgage rescue schemes, financial advice and assistance, extra money for registered social landlords, purchase schemes of private, developer-led developments that cannot proceed for whatever reason, and the housing private financing initiative.

Other organisations have made proposals. The National Housing Federation has proposed that housing associations develop their own mortgage rescue packages to assist those who face difficulties, and the purchase of unstarted, started and complete private developments. Shelter has proposed better information and advice provision for those who are in arrears and face repossession. It also said that the Government and the Financial Services Authority needs to be tougher on irresponsible lenders who are all too ready to take repossession action; needs to regulate private mortgage rescue sale and leaseback schemes; and introduce a pre-action protocol for mortgage arrears in court to ensure that repossession is a measure of last resort; and look again at income support for mortgage interest.

Matthew Taylor (Truro and St. Austell) (LD): The financial crisis has, of course, made home buying less affordable, because deposit requirements have gone up as, effectively, have interest rates, particularly for first-time buyers, notwithstanding today's announcement. The new Homes and Communities Agency will have substantial funds, but it has a huge job in delivering the Government's affordable homes targets because of the fall in private sector development. There may also be packages in urban areas, not least in the north, for the Government to deal with surplus buy-to-let developments. I hope that the Minister and my hon. Friend agree that it is important that the agency has a clear brief to continue the work that it has been developing on smaller rural communities, particularly villages. They may not be an obvious priority in the current circumstances, but they have experienced some of the sharpest affordability problems.

Andrew George: I entirely endorse my hon. Friend's remarks, and I commend his report, which was published at the beginning of the recess and is entitled, "Living Working Countryside". The Minister is aware of it, and I look forward to the Government's response.

I hope that the Minister feels unconstrained, or at least less constrained than he was in yesterday's debate, when he responds. Reasonable questions have been asked about the impact of the RSS on the ability of local authorities and others to respond to the desperate need to provide affordable housing, rather than allowing the planning system to fuel a developers' paradise, which it has done in the past. We should look at extending help to the most vulnerable people and families in these hard times.

4.47 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr. Iain Wright): I congratulate the hon. Member for St. Ives (Andrew George) on securing this important debate on affordable housing and planning. In the debate on 25 June on planning and housing estimates, which he mentioned, I paid tribute to his expertise, professionalism, knowledge and insight on housing matters. I should like to reiterate those sentiments today—I have not changed my mind—and say how much I welcome this timely debate on affordable housing and planning. The emphasis has been almost exclusively on rural housing, rightly, because the hon. Members who have spoken represent rural constituencies.

I should like to provide some context and remind the Chamber what the Government have already done to help to provide affordable housing in rural areas. Since 1997, more than 71,000 affordable houses have been provided in rural areas. Between 2006 and 2008, the Housing Corporation was able to deliver almost 7,500 homes in settlements of fewer than 10,000 people, of which almost 5,500 were homes in settlements of fewer than 3,000 people. We have provided in planning policy statement 3, on housing, for local authorities to develop rural exception sites so that affordable housing can be built on land that would not otherwise be available. We have also set the corporation a challenging national target to deliver at least 10,300 properties in small rural communities in this spending review period.

The hon. Gentleman made a number of points in his excellent speech, and I am keen to address them. In many ways, he reiterated the points that were made in yesterday's debate on the regional spatial strategy for the south-west, but he also advanced them. He asked me to be less constrained than I was in that debate, but I am a risk-adverse individual, and the age of irresponsibility is at an end. I do not intend to shoot from the hip. I reiterate what I said yesterday and on a number of other occasions: the Secretary of State has a quasi-judicial role in the process, and I do not want to do anything that would compromise her ability to make a free decision. I do not want to be subject to any kind of judicial review. All that I say is that in debates today, yesterday and on several other occasions, hon. Members have been able to raise points that they and their constituents wished to have raised, and that is welcome.

The hon. Gentleman mentioned affordability and protection for more vulnerable households, and I welcome his comments on that. I wish to mention at length the package of measures that we announced on 2 September, because this is probably the first opportunity that hon. Members have had to discuss it. The hon. Gentleman showed in his speech that he is very much aware of the state of the UK housing market. It is going through a sharp adjustment, triggered largely by the global credit crisis. People are finding it extremely hard, if not impossible, to get mortgages, house prices have fallen and house builders are experiencing extremely difficult trading conditions after years of favourable circumstances.

On delivering affordable housing, we are aware that housing associations are facing problems in accessing credit at competitive rates and that their business models, by which houses for sale at market value help to subsidise properties for social rent, are under severe strain because of the lack of mortgage finance. Purchasers of our low-cost home ownership products are facing similar problems in obtaining mortgages or raising a sufficient deposit.

At the heart of our announcements on 2 September was pulling those factors together by helping first-time buyers on to the property ladder, trying to minimise the risk of repossession and increasing and enhancing the

supply of social housing. They built on a number of measures that had been taken in July and earlier to help families adjust to the current tough state of the housing market. The new package will help those most in need, and I shall explain the impact that it will have on affordable housing.

First, the package will provide up to 10,000 more first-time buyers who are currently frozen out of the mortgage market with the chance to get on to the property ladder through a new shared equity scheme in a new partnership with housing developers. I know that the hon. Gentleman is interested in rent-to-buy models, and we will run a pilot rent to homebuy scheme on certain sites from 2009 to allow households to benefit from below-market rent for two to three years while they save for a deposit. After that, they will have the option of buying a share of the property.

The package also included a one-year stamp duty holiday on all houses costing up to £175,000, meaning that about 50 per cent. of all house purchases will be exempt: We are also providing more support for social rented homes by bringing forward £400 million of Government spending to deliver up to 5,500 new social rented homes at good prices in the next 18 months.

We are supporting house builders and the housing sector by adding to the £66 million already allocated, so that a total of at least £200 million will be available to buy unsold property from house builders, principally for use as social rented housing. The Government also announced new support measures to help vulnerable house owners meet their mortgage interest payments. The Department for Work and Pensions announced that it would reform support for mortgage interest by shortening from 39 weeks to 13 weeks the waiting period before it is paid for new working-age claims from April 2009. The capital limit for new working-age claims will also be increased to £175,000 from that date. A further £100 million investment will be provided to support SMI reform, which we estimate could help to prevent 10,000 repossessions.

Andrew George: Bearing in mind that this is a debating Chamber, and not one for posting information, I have raised issues that are worthy of debate in a debating Chamber. With the greatest respect to the Minister—I admire him equally, so there is mutual admiration going on—I suggest that he could send me a written note of the information that he is reading out about the package of measures that both he and I have mentioned. I would be happy to get that helpful information, but can we debate some of the issues around the regional spatial strategy itself, such as the relevance and impact of trend-based projections and the relevance of applying the RSS differently to the Isles of Scilly and the mainland? It is better for us to tease out such issues in debate here and now than for the Minister, if he does not mind my saying so, to give me information that I would be quite happy to receive in the post.

Mr. Wright: I respect the hon. Gentleman's wishes, and I am more than happy to help in that regard. I was trying to set out the details of that important package of measures, because the House was in recess when it was announced. Some £1 billion of public money is being provided to help support the wider housing market, particularly vulnerable householders who face the risk of not being able to get on to the property ladder or of repossession. The hon. Gentleman mentioned the importance of parliamentary scrutiny in both yesterday's and today's debates, and I was keen to mention those matters for the first time since we returned from recess. However, I take on board his point, and I am keen to move on.

If I may, I should like to talk at length about the important matter of affordable housing and planning estimates, particularly in a rural context. I am very pleased that the hon. Member for Truro and St. Austell (Matthew Taylor) is in his place because, as has been mentioned, he has provided an excellent report. The Prime Minister asked him to look into the issue, and I shall quote from his original terms of reference, although I am sure that he does not need me to reiterate them. *[Interruption.]* I will be giving a test later on. He was asked to examine

"the application of land use planning to facilitate the provision of land for greater economic and social sustainability within rural communities, including land for enterprise and the provision of affordable rural homes".

The report was published in July. The crucial point that I have taken from it is that the best way to see our rural communities thrive is to invest in the wider issue of rural economies and communities, both by supporting jobs and through affordable housing.

To take the matter to another level, the concept of the sub-national review is to bring together the regional economic strategy, which is about the economic development of an area, and the regional spatial strategy, which discusses planning, housing numbers and a whole range of spatial issues, into an integrated regional strategy. That is key, and it is a bit of a no-brainer in some respects, because it is so important. I reiterate that I took from the hon. Gentleman's report the idea that we cannot only talk about affordable housing, and that how to sustain that housing with a vibrant economy is key.

I shall address directly the hon. Gentleman's point about the role of the Homes and Communities Agency. I hope that he welcomes the agency, as it will be valuable in driving forward a range of matters on affordable housing, the regeneration of communities, sustainable development and improvements in design principles. This morning, I addressed a rural housing conference called "Investing in Rural Futures". Sir Bob Kerslake, the chief executive of the HCA, made a speech, as did I, and so did Candy Atherton. I was able to announce that Candy Atherton, who has played an enormous role in pushing forward the issue of affordable rural housing, has been appointed to the board of the Homes and Communities Agency. I hope that that reassures the hon. Gentleman and others that the agency will not be an urban-led regeneration organisation, important though that is. It will also have at the heart of its strategic direction the importance of rural communities and affordable housing.

Matthew Taylor: Just before coming to the debate I spoke at the same conference, where people have been in break-out meetings during the day. Key to the points that my hon. Friend the Member for St. Ives (Andrew George) has made is the fact that, as my report reflects, there is consensus that Government leadership is needed on the issues addressed. That consensus exists among

[Matthew Taylor]

people at the conference and elsewhere. I hope that we will have a chance to discuss those issues further and that the Government will act on the report. That was a message that came out of the conference.

Mr. Wright: I am very keen to do that. The Government are considering their response to the hon. Gentleman's report, which is going across Departments at the moment. We will hopefully be in a position to respond shortly. I take his point, and there are issues that we can sort out centrally. We have a good way of disseminating good practice, for example. I was very much taken by his point about how to link thriving economies with the planning system, and by the point that it is easier to convert a garage into a snooker room than into an office. We want to promote enterprise, hard work and entrepreneurialism, so where is the sense in that? We need to do something about it, and that is where his report comes into its own.

I think that I am running out of time—

The sitting having continued for two and a half hours after half-past Two o'clock, it was adjourned without Question put.

Adjourned at Five o'clock.

Westminster Hall

Thursday 9 October 2008

[HYWEL WILLIAMS *in the Chair*]

Testing and Assessment

[Relevant documents: Third Report from the Children, Schools and Families Committee, Session 2007-08, HC169 and the Government and Ofsted responses, HC 1003.]

Motion made, and Question proposed, That the sitting be now adjourned.—*[Ms Diana R. Johnson.]*

2.30 pm

Mr. Barry Sheerman (Huddersfield) (Lab/Co-op): It is a great pleasure to be able to appear—*[Interruption.]* I see that the Minister has arrived in the nick of time, as ever—seven strong men dug him out of his foxhole. He said, "No, no, I don't want to see Barry Sheerman."

It is a pleasure to be back in Westminster Hall to discuss a major report from our Select Committee on Children, Schools and Families. As many people with an interest in the education system know, when we formed the new Committee, we were determined to get the right balance between the work on schools and the new challenge of having responsibility for children and families. We decided that on the schools side, we would consider the three major planks of educational reform, which most people believe date back to 1988 and the time when Lord Baker was Secretary of State. Of course, those reforms were about testing and assessment—knowing how students were performing—and the national curriculum and inspection. There is no doubt that in 1997, the incoming Labour Government carried on with those three major ways of trying to improve standards in schools. Our responsibility seemed clear: 20 years after those reforms were embarked on, we needed to assess whether they had been effective and were still fit for purpose or whether they needed modification. That is what the Committee is about in relation to schools.

In terms of children and families, we embarked on a major inquiry into looked-after children—children in care. We are well on the way with that inquiry and the balance has been struck in a pretty fair way. In fact, I have just come from a wonderful lunch time meeting with a dozen young people who had been in care. We do not believe that an inquiry into children in care can be carried out without actually talking to some of those children and we have just come from an excellent meeting with them. That is by way of explaining why, at the moment, I am the only member of the Committee here. I suspect my colleagues will be joining me shortly.

I would like to discuss testing and assessment in terms of the following framework. Only yesterday, I was talking to the Institute of Education about a new publication called "Educational Management Administration and Leadership: The Legacy of the Educational Reform Act 1988", which is an excellent collection of essays that evaluates the progress we have made in the past 20 years. Yesterday, I was at the Institute of Education with the authors of that publication and a large audience. I argued that I thought on the whole the publication was a bit too pessimistic about how much change there had been and how much difference the reforms had made. The thesis in the book is basically that the reforms that were introduced depended largely on a kind of market economy view of providing education.

I want to remind the House and this Chamber that when one considers the biographies of our great Secretaries of State for Education—and there have been quite a few of them—it is sad that, on average, they only stay as Secretary of State for about 20 months. One wonders how they ever achieved anything—let alone greatness. Indeed, yet again, in the Department for Children, Schools and Families a couple of people have moved on just as they were becoming interesting and fantastically knowledgeable about education. They went off to the Department for Transport or somewhere else. There is something wrong with our ministerial system when good men and women just learn the ropes and are then moved on. That is not good for education and if that happened with a school—if we walked into a school in which the top management kept changing and the middle management churned—it would be in special measures. However, that is what has happened in the former Department for Education and Skills and in the Department for Children, Schools and Families. Something is going sincerely wrong under all parties when such ministerial churn takes place.

That happens with the civil servants, too—they just begin to understand Building Schools for the Future or testing and assessment, and they have gone. I am making a serious point: there is something seriously wrong with a democratic system that ends up being more about what the Whips want and what individuals want for their career advancement than what the citizens of this country need from a Department dealing with education, or any other Department.

When I spoke about testing and assessment at the lecture yesterday, I tried to put the matter in context. In 1988, when a Secretary of State—or senior politician—was offered responsibility for education, they often said, "No. It is a hopeless little Department with no power and a small budget." These days, that is the sort of thing that people say about the Department for Culture, Media and Sport—I should not really say that, but I have heard it said. Pre-1988, people thought that the Department dealing with education was small and had a small budget and asked, "If you are ambitious, why would you go to education?" However, Ken Baker and the educational reforms of the past 20 years have made a real difference to that perception. Before 1988, education was largely run by local authorities and since then, during the period of reform, an England-wide, centralised education system has been delivered by franchise directly to schools. Local education authorities have been bypassed whenever doing so would be useful. That model is quite useful for understanding the change that has taken place during the past 20 years. There are some strengths in that model, but there are some serious weaknesses. That is the backdrop I want to give the House to our report on testing and assessment. That is the setting—a heavy reliance on three kinds of tools.

This is the first report. We are halfway through our evaluation of the national curriculum and we will then consider inspection, Ofsted and so on. That has put the matter in context. The report was published on 7 May. Ofsted submitted a response on 25 June and, on 15 July, we received the Government's response. The Committee

[Mr. Barry Sheerman]

published both responses as our fifth special report, Session 2007-08, on 22 July. The Minister is an old friend of mine, but it is one of the most disappointing responses I have ever had to an inquiry of our Committee. Someone in the audience I was addressing yesterday mischievously said to me, "Do your reports ever make any difference?" In the House—when I have a better voice than this—I am known for speaking up for my Committee and boasting a little. I hope that I am not too boastful, but I do remind people that the good commonsense reports that we produced, both as the Education and Skills Committee and as the Children, Schools and Families Committee, have made a great difference. They have made a great difference to the succession of Ministers who have taken on board our recommendations, and there has been better policy implementation because of our reports. You and I, Mr. Williams, have been around for some time—as has the Minister—but we know that things do not happen instantaneously. Let me remind you, Mr. Williams, about the rather frenzied period spent considering variable fees, top-up fees and university funding. The report we wrote made a big difference in a short time to whether that piece of legislation was a success or failure in the House. Many people think that our report on the later White Paper on schools made a big difference and bridged the gap between the original White Paper and the legislation that flowed from that.

There have been fast and slow results. I was amused this week when I heard the Secretary of State—if it was not him, it was the Minister—saying that where there is an instance of bullying in schools it should be noted and reported. I remember that when the hon. Member for Bognor Regis and Littlehampton (Mr. Gibb), who is the Conservative spokesperson on schools, was a member of the Select Committee, we wrote a report on bullying. We made that recommendation on bullying at least three years ago, if not four. Now, the Secretary of State thinks that it is a good idea. That is a four-year lag and sometimes there are two-year lags, but I challenge anyone to examine the history of the Select Committee over the past seven years and not to say that it has made a substantial difference to policy. I think that Ministers have benefited from our reports and our wisdom. We have sometimes given them a good opportunity to hang a change in policy on a report from us.

I shall go through some of the main points in the present report on testing and assessment. We stated:

> "National testing in England is used for a wide range of purposes"—

far too wide a range of purposes—

> "including assessment of pupil attainment, teacher and school accountability and national monitoring."

That is a heavy-duty use of a system of testing. Let us compare it with the situation 20 years ago. When Ken Baker got to the Department, he did not know how children were performing in schools at all. It was very difficult for him to find out how children were progressing, so he instituted some tests in schools and found that they were not progressing nearly as well as people thought they were and not as well as local authorities and his officials were telling him. He was very disturbed by that.

At about that time—I am sure that this is right—Ken Baker read one of those management books, and there was a saying in one of those books that people of my age will certainly remember, which was, "If you can't measure it, you can't manage it." That was said by one of the management gurus of the time. I thought that it was in the book on one-minute management, but I checked the quote the other day and it is by another management guru. I think that Ken Baker took that idea very seriously and that Ministers have consequently always taken it very seriously, but it can be taken too far, and running through the Select Committee report is our view that it has gone far too far.

The Committee received a large quantity of evidence; there is much feeling in the country about this issue. As we said in our conclusion, the evidence was that

> "a single set of tests cannot validly achieve all of these purposes"

and that one of the purposes—accountability—had the effect of raising the stakes of the testing system for teachers, schools and local authorities, and raising them in a dangerous way. People who gave evidence to the Committee said that people no longer wanted to be heads but wanted to stay as deputy heads because they could not bear the thought of the responsibility of being head of a school that perhaps was in an inner city or a town with high mobility of students. They could not bear the idea that they might take over a school and that following an influx of students and a decline in the achievement of the students, they would, within a year or two, given the testing system that we have, be unable to practise as a teacher or a head for the rest of their lives. Such was the fear. Whether that fear was grounded in reality is a question that the Minister will perhaps respond to, but we found a great deal of evidence that people were seriously deterred from going for senior management positions in schools because of the testing regime. That is not good.

We stated that

> "national testing can be used in inappropriate ways and...this may lead to damaging consequences for the education system and, most particularly, for children."

That is the heart of the issue. Anything that I say flows from that, because those consequences include teaching to the test, narrowing the curriculum, inappropriate diversion of resources in favour of pupils on the borderline and just too much national testing.

We had witnesses after witnesses and made visit after visit. The Select Committee takes oral evidence and receives written evidence, and we go out on visits. There is nothing like the visits to bring home to us the reality on the ground. Our members, both individually and as a Committee, get out to many schools. I challenge anyone in the House to say that they have been to more schools than I have. I go to schools and other educational settings all the time. I think that I beat most Ministers in that respect. They may have a little spurt of going out on visits when they are the Minister responsible for schools, but then they move on to new things and I overtake them. I unashamedly say that I think I am the champion visitor of schools.

When I go out on visits, I talk to heads, staff and students, and time after time the staff say that the pressure is on them to such an extent that they cannot help but teach to the test. They say that in an embarrassed way. They say, "We don't want to teach to the test. If we

do, it narrows the curriculum." Schools should be broadening the curriculum. They should be allowing children to wander across the curriculum, find out what they enjoy, spend more time on one part of it and so on. Of course, we want the essentials to be learned, because if people cannot read and write or add up, they do not have access to other materials. We all know that, so I hope that the Minister will not throw that one at us. The curriculum, if people take it seriously in terms of its breadth, is a very good one in many ways, but if schools teach to the test, that destroys access to the broader curriculum.

I went to schools where heads said to me, "We got some special money to expand access to the broader curriculum." They would then smile ruefully and say, "Do you know what we spent that money on? Teaching to the test—more rehearsals." That is dreadful. I like the Minister a lot. The only time that I thought he really had his head in the sand when he was giving evidence to the Committee was when he would not accept that, up and down the country, his regime, the Government's regime, was leading to teaching to the test, a narrowing of the curriculum and a diversion of resources.

Time and again, we found that classes were aimed at children who were just at the margins of being able to reach a certain standard. It was a question of lifting the low-hanging fruit and getting those pupils into the five A to C area. Staff were concentrating on those pupils and perhaps neglecting both the brightest students, whom they took for granted, and the less able students, whom they did not think would make that standard. Some pretty naughty things are going on in schools. That is not the case in all of them. I hate it when people say that these practices are going on in all of them, but a significant number of schools are involved. When we go into a school with very good leadership and a fantastic team of staff, there is a different environment. They know that there are tests, but they are not teaching to the test; they are providing access to the full curriculum. Many schools do that. I do not want to slag off the whole state sector. That would not be right. Most of the state school sector that I see is wonderful, but a significant percentage of schools are teaching to the test and narrowing the curriculum, which is bad for us all.

Mr. Nick Gibb (Bognor Regis and Littlehampton) (Con): I tend to agree with that last point. It is not the majority of schools that are teaching to the test, but with regard to the minority or significant minority of schools that do teach to the test, does the hon. Gentleman think that Ofsted should pick that up in its inspections and that if it is discovered that it is going on in a particular school, that should count against the school in its inspection report?

Mr. Sheerman: Yes, absolutely right. I said to the chief inspector of schools, "Look, if we found this in our inquiry, why haven't you been seeing it?" Ofsted then did its own work and came back to the Minister and to us and said, "Yes, there is a lot of evidence of teaching to the test." That reinforces the point that we made. There was a bit of me that said, "Where on earth has Ofsted been that, with all its resources, it was not flagging the issue up loud and clear before us?" Nevertheless, that is for another day when we do our inquiry into the inspection system.

I was disappointed that the Government should have rejected the Committee's concerns over the multiple use of test data, teaching for the test and the narrowing of the curriculum. They rejected them pretty clearly and bluntly. They did not believe that the number of purposes to which the test data is put should be limited. Indeed, they said that

"imposing such a limit would not be sensible, and likely to impose new burdens on schools."

The Government also said that test data was fit to support each of the three purposes: measuring pupil attainment—the most important use—school and teacher accountability, and national monitoring. Basically, they said that nothing is wrong.

I do not want to say this to the Minister, but I have to do so because I think that he has been rather naughty. His response to the Committee was a distortion of what the chief executive of the Qualifications and Curriculum Authority, a very respected man, had told the Committee. I shall give the details to the Committee.

The Government claimed that the chief executive, Ken Boston, confirmed that the tests are fit for purpose. He must have been apoplectic when he read that. In fact, he said that the tests were fit for the purpose for which they were designed—that is, cohort testing in the three core subjects. The Committee had a long session with him, and he expressed severe reservations about the tests as they are presently used. He added that problems arise when a test that is fit for one purpose is used for other purposes. He said that one test serving 14 purposes was stretching it too far. When all those functions are put into one test, there is a risk of that none of them are performed as well as they might be. That is what Ken Boston said in evidence. Anyone who hears or reads our debate can check the evidence given to the Committee.

The Committee also identified the fact that high stakes testing and a consequent distortion in the education of some children may leave them unprepared for higher education and employment.

Fiona Mactaggart (Slough) (Lab): My hon. Friend speaks about the fitness for purpose of cohort testing under the present testing regime. Our report was produced in May, so we were not able to consider the specific key stage tests that were offered to children this year. One of those tests has given schools in my constituency a great deal of concern. I speak of this year's written English test, which was set for key stage 2 pupils. It required pupils to have a knowledge of historical fairgrounds; they had to write a biography of a fairground operator. Many of the pupils in my constituents are recently arrived migrants, and they did not have sufficient pre-existing historical knowledge to meet that challenge; yet, quite properly, they could have met an extended writing challenge that did not require that level of knowledge.

One of the things that we failed to cover in our report was to consider some of the details of whether that approach was fit for cohort testing.

Hywel Williams (in the Chair): Order. Interventions should be short.

Mr. Sheerman: My hon. Friend is right, but I think that she was being a little unfair to the Minister. I am already giving him a hard time about testing assessments,

[Mr. Sheerman]

without touching upon the key stage tests. I shall come to them a little later. The Committee is rather interested in key stage 2 and 3 tests and their marking. As my hon. Friend said, we did not consider them in enough detail. We did not finish our consideration of key stage tests as a result of the problems in the summer. Perhaps we can do it later, but my hon. Friend is absolutely right.

The Committee identified the fact that high stakes testing and the consequent distortion of the education of some children may make them unfit for higher education and employment. I want to go into more detail about that, because many teachers feel compelled to focus disproportionately on those aspects of the curriculum most likely to be tested and on borderline students who can be helped to reach the Government targets. I shall give an illustration.

We spoke to university teachers. You might ask, Mr. Williams, why we talked to them, but those in higher education are saying, "Do you know that some schools teach so much to the test that by the time we get the students at 18 they do not know how to think outside the subject. They come to university saying, 'What do we fill in?' and 'What do we do?' or 'What boxes do we tick?' and 'What bit of knowledge do you want?'"

Mr. Gibb: Is that not a consequence of the reforms to the A-levels in Curriculum 2000? Does not the modularisation of A-levels prevent the transition from being a GCSE absorber of knowledge and concepts to becoming a thinker at A-level? It does not happen now.

Mr. Sheerman: To be fair, that is a subject for another debate. I am interested in getting to know the shadow Minister well. I know that he does not like our report, because he is quite fond of testing and assessments. Not only do we have a cross-party consensus between the Labour and Conservative parties on the economic measures that are going on outside this Chamber; we have one also on testing and assessment. I disagree with the hon. Gentleman and the Minister, but they will have the chance to put their views later.

National curriculum tests address only a limited part of the curriculum, and a limited range of children's skills and knowledge. That is the heart of the problem. Achieving excellent test results by teaching the whole curriculum in a balanced and creative manner, without teaching the tests or narrowing the curriculum. requires considerable confidence on the part of teachers and schools—confidence that many do not have. However, I wish to go a little further.

The other aspect of our inquiry clearly showed—the key stage test problems in the summer underlined it—that the reform movement over the past 20 years has led to the undervaluing of our teachers. There are many aspects of teacher training, and the Government have done good things to attract able people into teaching—the golden hello for subjects short of staff and the teach first scheme in London and other parts of the country have attracted really good talent. The Government are doing some good stuff.

One problem with the working of the national curriculum and the centralisation of education is that it has led—inadvertently in some ways; I do not think that it was a deliberate ploy—to an undervaluing of teachers and a lowering of their feeling of professional competence. We have been running this sort of system for 20 years. We might say to teachers, "Do it yourself. Explore the curriculum. Do this. Do that. Open things up."; but they say, "Oh, I'm terrified. What if my class underperforms and the head comes down on my like a ton of bricks because I have not delivered the A to C grades expected in my subject?"

There is a real problem in the undervaluing of a highly trained work force. Once that has happened, once their professionalism has been undermined, it will lead to serious problems. In part, our report is asking why the Government do not trust teachers more. I throw in the example of the key stage tests in the summer. What kind of country and what kind of Department is it that allows millions of scripts to go running and chasing around the country, being delivered by the Royal Mail or special delivery? It was a carbon footprint disaster. The tests could have been administered and assessed locally, by local teachers. They could be set nationally and marked locally. I do not understand the logic of it.

When thinking of our report during the summer—I am sure, Mr. Williams, that the Clerk is telling you that I am out of order, but I do not think that I am—I said to myself, "What a crazy world it is that we cannot trust our teachers to do more. They are competent and highly trained. Why not give them the confidence to do many more tasks?"

The Government did not accept that the current system of targets had put the system out of balance; nor did they accept that improvements in national test results were the result of teaching to the test. They ignored the Committee's view that although teaching to the test and narrowing the curriculum were not the inevitable consequences of high stakes testing, many schools and teachers were struggling and had resorted to those techniques in an effort to maintain or improve their league table position.

The Government said that single-level tests and increased emphasis on teacher assessment were the answers to the Committee's questions on the burden of testing. However, they did not address the concern that single-level tests might actually increase the burden of testing. That is another major point arising from the report. We are worried about single-level testing. Many people think that it is a magic answer and that people taking tests as many times as they like is better than taking them at the end of a year, but we believe that such an approach has not been piloted, tried and tested sufficiently well, so there could be unintended consequences if we rush into it as if it is the answer. In the drive towards more demonstrable reliability in results, the Committee found that teacher assessment and the wider skills of the teaching profession have been undervalued, and that the single-level tests should be treated with great care.

The Committee expressed the view that the professional competence of teachers can and should be explicitly recognised and supported by extensive training and ongoing professional support to enhance the use of teacher assessment in schools. The Committee took issue with single-level tests. Testing when ready may have some merit, but if the system is used for holding schools to account and if schools succumb to the

imperatives of accountability through targets and performance tables, the focus on effective pupil learning could be lost.

Another major point is that the Government interpreted the Committee's recommendations as supporting their strategy to improve assessment for learning practice, promoting personalised learning and combining the two in single-level tests in the Making Good Progress pilot. In fact, the report offered no such endorsement. I thought that that was a bit naughty. We have taken effective action against the posters that one used to see outside west end theatres that said "Sensational!", when reviews actually said "Sensationally awful!". Such things are now against the law, but the Minister did it with our report. He put a big sign, as it were, outside the Eden Project, by which I mean Sanctuary house, that misinterpreted the report. The Committee certainly approved of assessment for learning, increased use of teacher assessment and better personalised learning, but it was not convinced that such outcomes would result from single-level tests and the Making Good Progress pilot.

The Committee was concerned that progression targets would perpetuate the problem of inappropriate use of resources for borderline pupils, and that they would simply shift the emphasis from pupils on the borderline of level 4, for example, to those on the borderline of moving up two levels during a key stage. The Government did not directly address the issue of borderline students but stated that the focus on progression targets as part of the pilot study would enable them to consider their effectiveness in encouraging schools to secure good progress for all pupils, which is different.

I would hope that everyone in education who hears about this debate will know that the Secretary of State has hinted that the coming academic year—2008-09—could be the last for national curriculum testing, which implies that single-level tests may be introduced in 2009-10. I cannot tell what the Minister thinks about that from his expression, but, given that the Making Good Progress pilot, which includes a pilot of single-level tests is not due to be concluded until the end of this academic year, there must be a question whether there will be time to assimilate fully the results of the pilot if the Government are to introduce single-level tests in September 2009. I am not naive—the Government want to get results as quickly as possible, and I do not blame the Minister for being in a hurry. However, the Committee is concerned about single-level testing, even if it is the flavour of the month and fashionable. We have seen the latest fashions and fads employed in other sectors of education and they do not always turn out as well as people expect.

The Committee criticised the Government for not engaging with the complexity of the technical arguments on grade inflation and standards over time. In response to my colleague who said that we did not have time to look in sufficient detail at marking differentiation and key stage tests, I should say that any inquiry can go only so far, and a report must be produced. When I first became Chairman of the Committee, Gwyneth Dunwoody, who was Chairman of the Transport Committee, said, "You have to give Select Committee members a varied diet. The poor darlings don't have a long attention span." That was a lovely Gwyneth moment, but there is no doubt that people get bored if an inquiry goes on too long, so there must be time limit. I am the first to admit that things such as a sophisticated examination of, and taking evidence on, grade inflation could have been done better. The Government cited the decision to create Ofqual as an independent regulator in response to the criticism that they did not engage in the complexity that I mentioned. However, without some form of standardised, longitudinal assessment, the Committee suggested sampling, which the Government rejected, so Ofqual will not have the tools to monitor assessment standards, as opposed to performance standards over time.

Going back to where we started, anyone who reads the report will see that the Committee was systematic: we took evidence, listened to what we were told and visited places. In my experience, which includes a range of inquiries in the past seven years, the report was one of the most thoughtful and thorough the Committee has ever offered to the House. The Minister is used to dealing with the Committee and he is charming, and it was great fun when he gave evidence to the Committee, but I hope that he sometimes feels that we are a bit of a pain—a positive rather than negative pain.

Some things can be put right. When we produced our report, the Government were in the first year of a five-year key stage testing contract with an American company, to which they were in hock. At that time, they could not come back to us and say, "We are going to look at testing and assessment again, clearly, openly, thoroughly, and holistically", because they were in a five-year contract. I do not blame the Minister or the Department for the debacle in the summer—we are inquiring into what went wrong—but it gives them a great opportunity to thoroughly and holistically re-examine testing and assessment. I hope that I am right that the Minister—I always think the best of people, particularly him—has cleverly decided that he will not rush into another four-year contract, but sign a temporary contract for one year. I hope that he believes that that year will give him and his Department the chance to seriously assess the direction of testing and assessment, evaluate the report more thoughtfully, and introduce reforms.

There is a thoughtful collection of essays entitled, "Education Management Administration and Leadership". From it emerges the idea that the incoming Blair Government, who liked most of the Conservative-style reforms of the previous 10 years in terms of markets, diversity and choice could, at the same time, by adding expenditure and focussing on more deprived areas, social deprivation and so on, secure social justice goals for the less fortunate children in our society.

If it tells us anything it is that all the money we have expended, and the massive investment we have made in pre-school and early years education, and throughout education—tapering off a bit into higher education—has been a wonderful investment. It would have been even more wonderful with, along the way, some modification of what we do about testing and assessment and the way we value and use our teaching staff, and some more sensitive evaluation of whether the inspection system is quite what we want it to be. I look forward to presenting future reports by the Committee, with you in the Chair, Mr. Williams, and with, I hope, the same Schools Minister as we have today; we shall be arguing the case for the best education system for all the children in the country.

3.10 pm

Mr. David Chaytor (Bury, North) (Lab): I am very pleased to follow the Chairman of the Select Committee, my hon. Friend the Member for Huddersfield (Mr. Sheerman). My remarks will aim to reinforce his argument. I want, obviously, to support the conclusions and recommendations of the Select Committee report, and to make one or two comments about the Government's response, which I do not think entirely reflected the spirit of the Committee's recommendations. I want, too, to pick up the point that the Chairman made at the end of his remarks, about timing. Had the report been scheduled to come out a little later, we might have been able to incorporate sessions that we held with the Educational Testing Service and the Qualifications and Curriculum Authority into our evidence, and to make comments and recommendations about the implications of the latest standard assessment tests fiasco this year.

However, there are still some positive things to be brought out. Picking up the Chairman's point, it seems to me that in exactly the same way as the near collapse of the banking system has thrown the Government a lifeline and enabled them to review their economic policy, the collapse this summer of the testing system and the key stage 2 and 3 tests, too, has thrown the Government a lifeline and enabled them to review their testing and assessment policy with dignity. As the Chairman pointed out, the Government are no longer locked in to five more years of testing and assessment on the model that has applied for the past 20 years.

I welcome the progress that the Government have made, particularly in the past 12 months. There has been a distinct improvement in the openness to criticisms that have been made in recent years of the dominance of testing in our system. There has been a willingness to engage with critics. There have been some positive developments with respect to interest in single-level tests, the assessment for learning programme and the Making Good Progress pilot schemes. All of that is incredibly positive and there is no question but that the Government are seriously considering and evaluating the impact of 20 years of testing and assessment, and considering whether things could be arranged differently.

I want to focus on three main issues, then make a few observations on smaller points. First, I want to discuss the question of teaching to the test—a crucial part of our report, which the Government response rejected almost completely, saying at paragraph 12:

"The Government does not accept that increases in national test results are the result of 'teaching to the test'."

The response continued, however, to say that better understanding of what goes on in schools might be needed and that the Government were

"therefore considering how best we can gather further evidence in this area".

Unfortunately, the evidence is there later in the report, in the Ofsted response in appendix 2. Page 13 is entirely about the evidence that Ofsted has produced in a series of reports. It is important to set out the response from Ofsted:

"More recent evidence suggests the continuance of these trends"—

for teaching of the test. The response continued:

"For example, in Year 6 mathematics there are fewer opportunities than in other years for practical work because of the emphasis given to practising skills and techniques in preparation for national Key Stage 2 tests. Similarly, in some secondary schools, routine exercises and preparation for tests impair the development of understanding as well as enjoyment of mathematics particularly but not exclusively in year 9. The recently published poetry report also discusses the significant impact of tests on the teaching of poetry in English, particularly in year 9."

I want to say from the start that there is really little point in the Government's saying we need to search for more evidence—because Ofsted has provided it, and it is here in appendix 2, next to the Government's response.

I do not reject completely the idea of teaching to the test. The real issue is not whether to teach to the test or not; obviously, students should be prepared for the forms of assessment that they will confront. The issue is the extent to which the preparation for the test at key stages 2 and 3 dominates the time available and skews the curriculum so that it becomes increasingly focused on the three core skills. The quotation that I have just made from the Ofsted report demonstrates that that happens. I do not visit as many schools as the Chairman does, but I try to do my fair share of visits, and I have yet to come across a teacher who would deny that teaching of the test takes place, or who would reject the notion that a disproportionate amount of time is given to borderline pupils, to squeeze them over the threshold. That is good thing, because we want pupils to succeed, but we must consider the extent to which it dominates the planning of the school day and narrows the curriculum. That is an issue at key stages 2 and 3.

For 20 years, we have had an overall education policy dominated by testing, targets and tables, and we have tended to forget about learning. It is not a question of testing or no testing; it is a question of giving testing its right place in the planning of the school day and year. We need to refocus our efforts and make sure that learning dominates what happens in schools and that testing is seen as a means to an end, not an end in itself.

The other point about testing is that teachers, parents and the public at large do not reject it: testing has always taken place in schools. It is an essential part of the learning function and of assessing children's progress. What has been specific—and, in my view, specifically damaging—in the past 20 years, has been the linking of the test results to high-profile performance tables. No teacher will say "I do not want the children in my class tested." Every teacher understands the importance of test results. However, when those test results are presented in the form of league tables whereby a single indicator—a test result at key stage 2 or a GCSE score in secondary schools—is perceived publicly as the only indicator by which the school is judged, we are entering dangerous territory. From the teachers' point of view, particularly more recently, the linking of the test results for the individual class for which the teacher is responsible to the question of salary and eligibility for higher allowances changes the name of the game. It gives additional importance to testing beyond what would be merited in a normal situation.

We cannot differentiate the question of testing from the form of presentation of information in the league tables. League tables are the second issue that I wish to raise, and have been in existence for nearly 20 years, becoming increasingly dominant. The original theory of league tables was that they would flush out into the open the good and less good schools. They were first mooted long before Kenneth Baker, under Sir Keith

Joseph. His idea was, "Well, the less good schools will simply go to the wall. Let the bad schools collapse and close, and pupils will migrate to the good schools. Hey presto, problem solved." Unfortunately, it is not quite that simple. Schools and parents are located in certain places, so we cannot simply shut schools down wholesale and allow pupils to migrate. We must recognise the over-simplicity of the argument that league tables, by themselves, can drive up standards without any damaging effects being incurred.

League tables have damaging effects, because year after year, some schools always appear towards the bottom of the league tables. I am not being fatalistic and saying that schools that serve particular catchment areas or enrol children with particular learning difficulties can never improve and progress. We know, and the Government rightly, and frequently, remind us that some schools with identical cohorts of children perform at strikingly different levels. That is nearly always because of the quality of the head teacher, the senior management and therefore the body of teachers. It is not fatalistic to say that certain schools will always have more difficulty in shining in the league tables or progressing to the top.

The difficulty is that when parents in any community see certain schools either languishing in the middle of the league table year after year or plummeting towards the bottom, a local perception builds up that ultimately becomes damning to the reputation of those schools. That happens because we have focused entirely on one set of indicators in the presentation of information. There can be no going back to the days before freedom of information, and I do not think that anybody would want to suppress information about our pupils' achievements. However, by focusing on one indicator—scores at key stage 2, key stage 3, GCSE or A-level—we do not reflect a school's full range of qualities.

The Government have listened a little to that argument and changed the format of the league tables. They have introduced the concept of value added in an attempt to indicate the progress that a school makes. There is still some debate about the usefulness of the value-added methodology that is used and whether different value-added methodologies would give a more accurate representation of pupils' progress, but we can leave that to one side.

The Government have made efforts, but the fact remains that the deeper understanding of a school's quality that comes from an inspection report, for example, is not reflected in the league tables. The Government and Ofsted are aware of that, and I once again make the plea that we must have freedom of information about the performance of our schools. Pupils' examination performance must be in the public domain, but it must be set in context. The Government could do much more to review the construction of the performance tables and ensure that Ofsted's judgments about different aspects of a school's activities are incorporated in the league tables.

The Government's response contains a reference to that matter, acknowledging that the presentation of the value-added score has its limitations. In justifying what the Government have done to improve that presentation, paragraph 41 of the response states:

> "We have added text to the front page of the published statistics to make it clear what the tests measure. We have also included confidence intervals around school CVA scores published in the Achievement and Attainment Tables."

If anybody thinks that including confidence intervals will make parents suddenly and miraculously begin to understand what the value-added score means, they are living on a different planet from most parents. I recognise that the Government's response acknowledges that there is a problem, but we will have to go much further to ensure that our performance tables provide the full range of a school's qualities and achievements, not just key stage scores.

What are the wider social issues related to a culture of targets, testing and tables? Other members of the Committee and Ministers will be aware of the UNICEF report published earlier this year, entitled "Child poverty in perspective: An overview of child well-being in rich countries". They will know that in that report, which I think was the first of its kind, the United Kingdom came 21st of the 21 OECD countries surveyed in UNICEF's assessment of the well-being of children. It was assessed by six criteria, or six dimensions, as UNICEF prefers to call them. One was educational well-being, and given the huge emphasis and enormously increased investment that the Government have put into education in the past 10 years, we would all expect the UK to come out of the survey extremely strongly. Unfortunately, we did not. When all the indicators were aggregated, we were at the bottom of the league table, and on the education dimension we were only 17th of the 21.

The Minister for Schools and Learners (Jim Knight): I am trying to recall when the research for that piece of work was carried out. Does my hon. Friend have that information? My recollection is that it was about five years ago, so the impact of all the resources and changes that he is mentioning would not have been fully felt.

Mr. Chaytor: The report was published first in 2007, and finally earlier this year, so by definition the research was carried out some years previously. That is true, and I am confident that our position in the league table will be higher next time the survey is done. We cannot be fully confident about that, because the similar report that came out in 2006—the third assessment of the programme for international student assessment—showed that our position in the international league table for the performance of 15-year-olds had fallen back since 2000. These things are not entirely predictable.

I have flagged up the matter, because the well-being of children, their overall performance and their attitude to school are issues to be considered. My hon. Friend the Member for Huddersfield touched on the impact of testing, in so far as it tends to skew young people's attitudes. They want to pass the test, so they acquire knowledge without necessarily understanding what it is all about. When they progress from A-levels to university, tutors criticise them for not being able to apply what they have learned or for having forgotten it. That applies, too, to young people leaving school at 16 and going straight into the workplace, who are criticised by employers for not being work-ready or able to apply what they have learned in school.

I wish to ask whether there is a link between the United Kingdom's position in the international league table organised by UNICEF and the policy that we have adopted for 20 years in our education system. The dominant thrust of that policy has been driven by targets, testing and tables. I do not know that anyone

[Mr. Chaytor]

can prove whether there is a link, but the relationship needs to be explored further. We can see for ourselves that there are ongoing problems in respect of the large number of young people who become disaffected from school at an early age, leave school early and hit the streets at 16 to fall into the category of NEETs—not in education, employment or training. We can see that there is a problem when young people do not wish to continue their education or training beyond the age of 16 and when teachers and Ofsted report that an ongoing difficulty in our school is not poor discipline overall—schools are, by and large, incredibly well-managed places—but low-level disruption in the classroom from some young people who have switched off from the curriculum offered.

We must question whether the dominance of testing is a contributory factor to that disaffection and alienation among some young people. In one sense, it is fairly self-evident. If a youngster who does not have high-level conceptual skills, who finds it hard to grasp mathematical concepts, who does not have a strong command of vocabulary and does not come from a family with a lot of intellectual capital to support them, takes their key stage 2 SATs and does not get level 4, they will feel a failure. There is no point beating around the bush; that is what happens. Some 25 per cent. of children aged 11 fail to make the grade that the Government say they should, and they feel that they have failed. Entering secondary school with the label of failure obviously will not be a big motivation for success in their school career.

Mr. Gibb: The biggest problem facing such children in secondary school is not the label; it is the fact that they will have great difficulty accessing the curriculum because they do not have the necessary literacy skills. Not reaching level 4 means that their reading age is significantly below 11 and that they will struggle throughout their career. Reading is not a high-level skill. All children should reach level 4 by the time they leave primary school. That must be the aim of our primary school education.

Mr. Chaytor: I understand that point completely, and I understand how crucial the three core skills are. However, in any cohort of children, a certain percentage will have learning difficulties of one kind or another—it is not a tiny percentage; it is more substantial than I think the hon. Gentleman assumes—which means that it is almost impossible for them to reach level 4 in one or more of the three core skills. That is no criticism of those children or their teachers and parents; it is just the way it is.

The hon. Gentleman makes an important point about preparation for the secondary school curriculum. Another dimension to the problem is that, because our system has focused so hugely on testing during the past 20 years, we have given less attention to the curriculum's flexibility. Had we reviewed our secondary school curriculum some years ago and made it more flexible in recognition of the fact that children perform at different levels, have different interests and aptitudes and engage with certain activities more than others, rather than using the monolithic watered-down grammar school curriculum established in 1988, more of our less motivated and harder-to-teach children would have prospered in recent years.

Mr. David Laws (Yeovil) (LD): I agree that a number of children will find it difficult to reach the Government targets, but does the hon. Gentleman agree that that number is likely to be much closer to 5 per cent. than to the 20 to 25 per cent. that we have at present?

Mr. Chaytor: Yes, I do. It probably is about 5 per cent., although it might be creeping up to 10 per cent. The problem with talking about learning difficulties is that the term encompasses a huge range of problems. Some children have learning difficulties because of their horrific home backgrounds, not because of any lack of intellectual capacity. That is why I moved the number closer to the upper end of the range than the lower.

When all children know that they are expected to reach level 4 and a significant minority have huge difficulty getting there or just do not get there despite their best efforts and those of their teachers, the dominance of that level and the fact that it has become such a public indicator of success inevitably reinforces a sense of failure and inadequacy. That causes those young people to enter secondary school education with comparatively low self-esteem, and that self-esteem gets lower as they progress through secondary school.

I do not want to make any more of the issue. I have made the point that we must examine the relationship between an excessively rigorous system of testing—a system in which testing has tended to squeeze out flexibility and variety in the curriculum—and the impact on pupil behaviour, well-being, self-esteem and overall levels of success. Moving on, I have five random comments to make arising from the report. First, the Government rejected the Committee's recommendation that we move to a system of sampling rather than full-cohort testing for a number of reasons, one of which is the additional expense. However, it is not a question of either/or. Many countries have a system whereby all students take the test but not all results are published nationally, and a sample of the students' scripts is used for national monitoring purposes. It is not a question of either sampling or full-cohort testing; it is a question whether the Government insist on using the full cohort for national monitoring purposes or take a sample of that cohort.

Secondly, in view of the chaos caused this summer by the collapse of the system for which ETS was responsible, we must consider—the Chairman mentioned this problem—whether it is still sustainable to operate a system in which hundreds of thousands of scripts at key stage 2, key stage 3, GCSE and A-level move around the country every year. The massive bureaucracy and cost of that intensive testing system extends beyond SATs into GCSEs and A-levels. Thirdly, on grade inflation and the role of the regulator—the Government's response makes an important point about the regulator; Ofqual will be given increasing responsibility for assessing standards over the years—can the Minister think of another sector in which the regulator occupies the same office as the body representing the industry? It is not acceptable that the offices on Piccadilly are the home of the Qualifications and Curriculum Authority, the National Assessment Agency and Ofqual. I do not think that we would find Ofgem, for example, sharing premises with Electricité

de France or Scottish Power. I put it to the Minister that that should be considered quite quickly in order to separate out the regulator's role more clearly.

Mr. Laws: Send them to Bury.

Mr. Chaytor: Well, there is plenty of spare office space in my constituency, and they would be very welcome if that were the Minister's decision.

My fourth point concerns key skills. We all understand that science, literacy and numeracy are key to accessing the secondary school curriculum and to future success in life, but so is information technology. Has not the time come for IT to be included as the fourth key skill? The value would lie particularly in the fact that some young people who do not always thrive in literacy and numeracy or who still find science a closed book are incredibly good at IT. IT should be a key skill not only because it is a key skill for any young person or any adult in a job or on a university course—it is a key skill whether we choose to designate it or not—but because it would have the beneficial effect of opening up the possibility of success in national examinations and SATs, if SATs are to continue, to more young people than currently succeed in the literacy, numeracy and science curriculum.

Finally, the Government's response to our recommendations on diplomas is fairly bland and does not mention the relationship between diplomas and the key stage 3 SATs. When the diplomas are fully on stream, what is the purpose of key stage 3 SATs? Is that not the time to quietly get rid of them? I would be grateful if the Minister commented on that.

3.40 pm

Mr. David Laws (Yeovil) (LD): I congratulate both the Chairman of the Select Committee, the hon. Member for Huddersfield (Mr. Sheerman), on his excellent speech, which set out the issues that we need to cover in today's debate, and his Select Committee on producing what I think is an excellent report that will be greatly welcomed by almost all the organisations involved in the education debate outside this place, even if it is not necessarily welcomed by the Government and Conservative Front-Bench Members. The criticisms in the report will resonate not only with those who would be regarded as critics of the existing targets and testing regime, but with many others, including those involved in the private education system who are also very critical of much of today's education architecture.

I also congratulate the Minister on his recent and deserved elevation. The Chairman said that the life expectancy of Secretary of States in the Minister's Department is not very long—20 months, I think he said. I cannot quite remember how long the Minister has been with his Department, but I think it is longer than that, so he is moving the average in the right direction. He has been a good Minister in that Department, and I hope that he will remain there for longer so that, as the Chairman said, we can learn from experience rather than have this constant merry-go-round of new Ministers having to learn on the job very rapidly.

I also congratulate the hon. Member for Bury, North (Mr. Chaytor) on his speech. He raised many points with which I have some sympathy, although perhaps in some of his criticisms he went slightly beyond how far I wish to go in my comments. However, I recognise the criticisms in the Select Committee's report—it has done an extremely good job. I am disappointed, though, with the quality of the Government's response. The Chairman mentioned his dissatisfaction with a number of points. The response is pretty thin and unpersuasive. It almost suggests—I hope it does—that the Department is in flux and rethinking seriously, behind closed doors, the future of the existing testing regime, rather than taking seriously the rather bland and unconvincing defence provided in appendix 1 of the response.

I can only think that the Minister, or whichever official drafted the report, must have been smiling with his tongue firmly in his cheek when he wrote in paragraph 2:

"The Government strongly agrees with the Committee's conclusion on the importance of national testing".

One would have thought that this was a response to an entirely different report, particularly in the light of the national media coverage of the report's recommendations. I have a BBC report—so I am not quoting from something that would tend to over-dramatise the criticisms made by the Select Committee—that went under the headline: "Tests 'damaging' to school system: the national testing system in English schools is being misused to the detriment of children's education, says a report from a committee of MPs."

Although the Committee's report acknowledges that any education system will contain an element of national testing, it is quite clear from the very first page of the document that the Committee has identified major deficiencies in the existing regime and raised serious criticisms. In the second paragraph of the summary, the Committee writes that

"the question we have asked is whether the current national testing system is a valid means by which to achieve these"—

objectives, which it referred to earlier. It continued:

"We conclude that, in some cases, it is not. In particular, we find that the use of national test results for the purpose of school accountability has resulted in some schools emphasising the maximisation of test results at the expense of a more rounded education for their pupils."

The report makes many other criticisms, as the Chairman outlined earlier.

We also have what I would describe pretty much as a misrepresentation of Ken Boston's views on the national testing regime. Anybody who knows Ken Boston's views, including those he has put in the public domain, will know that he has many criticisms of and concerns about the regime. I therefore agree with the Chairman that paragraph 9 is a misrepresentation of the views that Ken Boston has put on the record. There is also the misrepresentation of—or, at best, confusion about—the Committee's position on the single-level test.

Furthermore, the Government's response offers a complete lack of evidence on the issue of "teaching to the test" and on national standards. Paragraph 12 of the response states:

"The Government does not accept that increases in national test results are the result of 'teaching to the test'",

but then it offers no evidence for that assertion. Although the Chairman has made the generous admission that the length of the report did not allow for the Committee to go into as much detail as he would have liked, the Government simply cannot rebut some of its points but offer no evidence in doing so.

I heard the comments by the Chairman and the hon. Member for Bury, North on this year's collapse of the testing regime. They touched on the possibilities that

[Mr. David Laws]

have now opened up owing to this year's experience and all the criticism in the Committee's report and elsewhere. There is a chance for a new consensus on the testing regime. The hon. Member for Bury, North even referred to how the Government have been learning lessons recently in a number of policy areas—for example, economic problems leading to changes in economic policy, and the implosion of the testing regime potentially leading to changes in testing. I hope that that is not the only way the Government will learn to improve their policies—following the implosion of existing policies. However, if this year's shambles of the key stage tests provides an opportunity to solve some of the fundamental problems in the testing regime, I hope that we will take it.

We in this place have a responsibility to try to ensure, where we have such testing regimes, that there is continuity and that we do not just lurch from one set of tests to another, with a Government determined to be seen to be addressing the deficiencies of the existing regime. The Government should not continuously change the testing regime simply because they feel under pressure to appear to be doing something all the time. We have an opportunity to improve the system, but given that there might be a change of Government within the next 18 months or so, there is also the risk that we could see—over the next one, two, three, four or five years—a period of constant instability and changes to the testing regime. That would be extremely damaging for the school system. The Minister will recognise that one of the big criticisms made of education policy over the past 10 years, by people in the private and maintained sectors, unions and business, has been about the degree of volatility in policy. I hope therefore that the Select Committee's report will give us an opportunity to carve out a consensus on where change should take place, so that we do not simply lurch from one set of policies to another.

Before I outline what I think are the principal weaknesses of our testing regime, and before the Minister portrays me as a left-wing, crazed lunatic who wants to dismantle any sense of accountability and testing, I want to say a few things about what elements of accountability and testing the system needs. I think that everybody agrees—the hon. Member for Bury, North, who is clearly a great critic of the existing system, certainly does—that there is no possibility of, or argument for, returning to a system with no clear public accountability over the results attained by young people and schools.

As I shall explain later, I want to see national tests at age 11, 16 and 18. In my constituency, I find key stage 2 tests and GCSE results extremely valuable in assessing how local schools are doing. Of course, I have the benefit of understanding something about the catchment areas of those schools, against which I review those results. I have rarely noticed a school either dramatically underperforming or outperforming its catchment area without later discovering that there was either exceptional leading and teaching going on at that school, or a problem with leading and teaching. I would not want to get away from having that knowledge and accountability. As the hon. Member for Bury, North has acknowledged, once that information is collected, it is difficult, in a world of freedom of information, to deny it to parents. I would be angry if it were denied to me.

Mr. Chaytor: I welcome the hon. Gentleman's elimination of 13 as an age at which national tests should take place, but why should they continue at 16 once diplomas have become established and the participation age has moved up to 17, and later 18? What is the purpose of national testing at 16?

Mr. Laws: I shall come back to that point later, when I discuss how the testing regime should be structured and how testing and assessment should link together. I mean that as a promise and not as the usual attempt to duck the question.

I believe that there should be national testing at particular ages and that the results should be published. We need to try to make sure that those published results are fair to schools, but we will never be able to prevent people from looking simply at the headline results, rather than taking into account all the other factors that we would like taken into account.

Basically, I do not believe that the problems identified in the UN report are down to the stresses and pressures of the testing regime. As the Chairman has suggested, they are a bigger issue for head teachers and teachers than for children, who tend to adapt to the environment that they find in schools. Most of the problems that have placed us at the bottom of the UN report tell us far more about Britain's society and the environment in which youngsters grow up outside school than about things going on inside schools.

I agree with the comments that were implicitly made by the hon. Member for Bognor Regis and Littlehampton (Mr. Gibb) that it is vital that youngsters master the basics of literacy and numeracy in the early years of their education. If they do not, they have no chance of performing to an adequate standard in secondary education and beyond. That will demotivate them pretty rapidly, not only in English and maths but in all the other subjects in which they will be incapable of engaging. I shall not go so far as to suggest that every youngster would be able to reach the minimum levels that the Government have specified—I suspect that the hon. Gentleman would not say that every single child would, as those with high-level special needs clearly would not—but I agree with the implication that the number of youngsters who are incapable of reaching those targets ought to be much lower than it is today.

Lord Adonis, who did some impressive work within the Department but has sadly left it recently, did a particularly good job in challenging the assumption that a large proportion of our youngsters would never be able to perform to the levels, in key stage tests and GCSEs, to which many of us would like them to perform. I hope that in 10 or 20 years' time, we will not have an education system that is built on an assumption that 20, 30 or 40 per cent. of youngsters cannot reach basic minimum levels.

I want to touch on three deficiencies in the existing regime, the first of which is about what is happening to results across the education field. This point comes directly back to the issue that the Chairman and the hon. Member for Bury, North raised about sample testing. One of the most striking points about the education debate in this country is the lack of basic agreement about what has happened to standards in the past decade. It is extraordinary that we should be trying to have a debate about how to improve education, when

there is a gulf between quite sensible people as regards what has happened to educational standards, in terms of test results, in the past 10 years.

If one believes many of the Government's figures, there has been an extraordinary improvement in educational standards across the country—an almost unbelievable improvement in some areas—which, if true, would be testament to great success. Of course, many people in the country, including many serious educationists, believe that there has been a running down of standards, and that the process of teaching to the test has distorted what the results tell us. Many people believe that educational standards have been going backwards.

In his August 2007 report on the Government's performance on education, Alan Smithers summed up the position rather nicely. He said:

"Our overall assessment of the impact of Blair's ten years in office on school education is—tentatively—that some progress has been made during the decade. However, this assessment is inconclusive as it is so hard to say with certainty what the extent of any progress has been...Test and examination scores have gone up, but the monitoring has been largely under government control and it has had a vested interest in the results."

If we are to have a proper debate about educational standards in this country, and if we are to have a testing system that is meaningful, then that testing must have some kind of credible element to it that is independent of the Government. Standards should not change over time, and no one should be able to dispute what is being produced, in terms of what is happening to standards.

I strongly support the Select Committee's proposal on having Ofqual, or some other body, carry out sample tests on a small proportion of one or two cohorts—probably two—every year, so that we can assess what is happening to educational standards over time. That assessment should be invariant to what is happening to the nature of tests and teaching to tests.

The Government's response to that proposal, in paragraph 23 of their report, was totally unconvincing. They said:

"The development and implementation of additional tests implies extra costs and increased workload for teachers and others"—

I think that people in the teaching profession will read that with amusement—

"and we are not persuaded of the benefits it would bring. It also seems likely that we would have a number of sets of incompatible performance data, which would result in confusion for schools and parents, and would be a less transparent way of holding the education system to account."

What a lot of nonsense! Cohort sample testing would precisely bring transparency and credibility to a system that currently has none whatever. When the Government worry about the extra costs involved, they should take some reassurance from the fact that I, the Select Committee and all the others involved in this debate, other than those on the Government and Conservative sides, are suggesting a massive scaling back of the testing regime, which would supply easily enough money to carry out those sample tests of cohorts, and still save money.

I was even more depressed, but nevertheless enlightened, regarding that point by paragraph 50 of the Government's response, in which they set out in black and white terms that

"Ofqual's role is not to monitor education standards as a whole; it is to regulate the qualifications and assessments which are one of the means by which those standards are measured."

In other words, Ofqual can comment on what the Government are doing, but it will not have an opportunity to assess standards itself, or to commission. I have discussed this issue with the lady who is taking over and running Ofqual, who said she would think about whether sample cohort tests were a good idea. It seems pretty clear that, as far as the Government are concerned, Ofqual will not have the opportunity to carry out that role at all. The Government's response makes it clear that

"Ofqual's role is not to monitor education standards as a whole".

That is enlightening, and I hope that parties and individuals in this House who are concerned about this issue will, when the proposed legislation comes to the House, ensure that we have a much stronger independent body to assess educational standards in this country. I certainly would not support the Government's proposals were they not to allow for a body that would check standards, because it would simply be what people have suspected it would be—an incredible cheerleader for the Government, rather than a genuinely impartial assessor of standards.

Jim Knight: I hesitate to interrupt the hon. Gentleman's flow, but does he not think it appropriate that the assessment of standards in education be carried out by the Office for Standards in Education, Ofsted?

Mr. Laws: I think that Ofsted carries out one element of inspection, but it is most certainly not carrying out inspection in a way that introduces credibility in respect of the cohort tests. If the Minister is arguing that he will give much more significant powers to Ofsted and allow and encourage it to cohort test, I might think again about what he says on Ofqual, but I fear that the Government want to create the appearance of an independent assessment of standards without creating a body with real teeth to do the job. My suspicion is that the Government do not want to accept the Committee's recommendations in that area, precisely because they do not have the assurance or confidence that the cohort sampling, of which the Committee is in favour, will bear out the alleged extraordinary improvement in standards, not only between 1997 and 2008 but over the decade prior to that, when GSCE results also went up by an extraordinary amount. That is the first area that we need to address.

The second area is how the key stage tests operate. As I said earlier, I want some element of testing and accountability in the system. I do not want the key stage 2 tests done away with, and, while we have the system of GCSEs and A-levels, it makes sense to test at those levels. The curriculum will always narrow beyond 16 years old, and we will always want to measure performance up to and beyond that age, but we could enormously reduce the rest of the testing. I agree with people such as John Dunford, with most head teachers to whom I have spoken as I have been around schools and with most other education professionals, who say that the key stage 3 tests are pretty much a waste of time. The hon. Member for Bury, North made an excellent point when he asked what will happen when, with the diplomas, the 14-to-19 curriculum comes in with a vengeance. Are we really going to maintain the nonsense of key stage 3 tests? They seem to be an utter waste of time.

[Mr. Laws]

The testing regime is important for accountability, but it must reinforce a genuine process both of identifying the challenges that young people face in education and of doing something about it. We spend huge amounts at key stages 1 and 3, and, arguably, we could even reduce the size of the key stage 2 test, but let us look at what happens to youngsters who at an early age are identified in schools as not having the literacy and numeracy skills that the hon. Member for Bognor Regis and Littlehampton described.

I went to a school in east London a few months ago—one of the schools where the Government are piloting one-to-one reading and numeracy tuition, which seemed to be extremely effective. I think it was in partnership with KPMG. At the end, however, when I asked the head teacher how the scheme was going, it was quite clear that the scale of the challenge—the number of youngsters who would benefit from such interventions at 5, 6 and 7—was way beyond what the Government were providing for.

I would rather we had a system of assessing youngsters seriously as early as possible, probably at age 5, and ensuring that we then had the money to do something about all the youngsters who will already have fallen behind. We know that most will have fallen behind before they even arrive at school. That is a greater priority than tests at ages 7 and 14, which we may think tell us something about school performance but which are widely ignored and rarely reported in local newspapers; which even I, with my interest in education, am totally unaware of in relation to my local schools; and which do not do anything about putting money into what matters, which is, once we have completed the assessment at ages 5 and 6, intervening to do something about the problems in the way the hon. Member for Bognor Regis and Littlehampton described.

The Government say that the Select Committee report lacks evidence of the effects of teaching to the test, but as the Committee Chairman and the hon. Member for Bury, North clearly demonstrated, that is just not true. Appendix 2, the Ofsted response, is extraordinarily blunt about, and critical of, the effects of teaching to the test. There are two pages' worth of evidence from Ofsted reports on the impact of teaching to the test. The issue is not just about curriculum narrowing, which happens in many schools but can be avoided in those that manage such matters very well, and in those with strong catchment areas, where the results are likely to be good anyway; the comments in Ofsted's response on p. 13 of the Government's response are more worrying. The hon. Member for Bury, North quoted them, but I shall do so again because they are so significant. Ofsted quotes itself, saying:

> "'Weaker teaching (in mathematics) was too narrowly focused on proficiency in examination techniques at the expense of building understanding of concepts and their relationships.'"

In the next paragraph, Ofsted says that

> "routine exercises and preparations for tests impair the development of understanding as well as enjoyment of mathematics particularly but not exclusively in year 9."

In other words, the criticism is that the tests not only narrow the curriculum but, because of what is being tested, diminish educational outcomes. Throughout the education system, from the National Union of Teachers at one end of the spectrum, to the poshest private schools, the criticism has been made that that element of the education system reduces standards and stretch in the system—even as the formal results profess to suggest that there is some extraordinary rise in standards. It is an issue not only at A-level, as the hon. Member for Bognor Regis and Littlehampton said, but in primary and secondary education, so I should like the testing regime to be slimmed down to focus more on early assessment and intervention.

I should like also to keep the key stage 2 tests. There is a genuine issue about whether they should be marked externally or internally with external moderation, but I would not be willing to move from external testing until we were sure that we could do so without creating credibility problems. If the tests are high-stakes tests, we must acknowledge that the most challenged schools with the poorest results risk being put under pressure to deliver good test results. We worry most about those schools, because that is where we want to know what is going on.

I ask the Minister please not to introduce single-level tests. I am pleased that the Committee's report made that clear and that the Chairman took that position, too. I know that the tests sound like a good idea, and that to test people when they want sounds terribly sensitive and nice, but will they not simply institutionalise even more testing, not just at particular points in the education system but the entire time? Will the accountability mechanisms be credible, so that we can really see what happens in schools? And, anyway, is it not true that, frankly, there are benchmarks in the education process when we want to know whether youngsters have the basic skills, whether they are ready to enter secondary education and whether they have their basic skills by GSCE level?

The issue cannot be fudged. So far, the evidence is that single-level tests have been a mess and that the Government have been reticent to publicise the effects of the pilots because they have apparently been a shambles. I hope that they will be buried and that the Government will use the opportunity of the utter shambles of this year's key stage testing to review the issue seriously and think not about a scorched earth policy, which would get rid of the genuine improvements in accountability and testing over the past 20 years, but about designing a system that is fit for purpose and does not, in the case of some tests, waste money to very limited ends. I hope that the Government will listen and be willing to respond.

In his response, I hope that the Minister will update us on what is happening in relation to this year's key stage results and to the number of appeals that have been received about the key stage test. We understand that there has been a massive increase in the number of appeals this year because of the problems with the tests and the marking. I would appreciate updates on how many appeals the National Assessment Agency has received so far compared with this time last year, and information on whether this year's marking is as reliable as last year. My understanding is that although Ofqual has indicated that it believes it is, that is not the view taken by the Qualifications and Curriculum Authority. It would be helpful if the Minister could sketch out the timetable for commissioning the tests for 2009 so that we have some idea of whether it will be held to.

Mr. Williams, this has been an extremely useful debate. If the Government are not listening at this stage, I hope that they will in the future. I hope that the Chairman of the Select Committee is right when he says that, in a slow-burning way, the reports that his Committee has produced in the past have tended, with a lag, to influence policy. In this area, they most certainly need to.

4.11 pm

Mr. Nick Gibb (Bognor Regis and Littlehampton) (Con): I should like to add my congratulations to the Minister on his well-deserved elevation to right hon. Gentleman. It should be noted that the Ministers that I have shadowed tend to be promoted rather than having to resign in ignominy. His predecessor became Chief Whip and then Home Secretary. Before that, I shadowed the Energy Minister who went on to become the Secretary of State for Scotland. It is the contrast between a Minister and his shadow that shows him in a good light, so congratulations to the Minister.

It is a pleasure to be taking part in this debate. I think that I detected a valedictory tone in the comments of the Chairman of the Select Committee, the hon. Member for Huddersfield (Mr. Sheerman). I enjoyed serving under his chairmanship for the couple of years that I was on that Committee. Many of its reports under his chairmanship have been highly influential for the Government. Some, however, have received quite poor responses. I want to cite the excellent report by the Committee on special educational needs and the report into the teaching of reading that led to the Rose review and a complete change of Government policy on how we teach children to read in our primary schools.

I agree with the hon. Member for Yeovil (Mr. Laws) that we need a period of stability in our education system. The plethora of fortnightly initiatives has undermined morale in the teaching profession. The permanent state of revolution that seems to exist, with new curriculums coming out of the QCA every other term, is too much. The hon. Gentleman himself appeared to wish to make sweeping changes to the testing regime if the Liberal Democrats came to power, but we should all be careful before recommending too many changes to the education system.

Mr. Laws: My point was that if there are to be changes, they need to be made with cross-party consensus and after consideration so that we do not have a process of constant revolution.

Mr. Gibb: I agree with the hon. Gentleman on that point, but we should leave the testing regime in place and improve it incrementally if problems are perceived in particular aspects of the tests.

I also agree with the hon. Gentleman's comments about literacy and maths. When I said that I wanted all children to reach level 4 in English at key stage 2, I was excluding children with particular neurological conditions or special needs, who need extra help and attention from specialists in that area. It is important in any debate about testing in education to distinguish between those who are opposed to any external testing for ideological reasons and those who have specific concerns about our testing regime. Many people who express particular concerns about our testing regime conceal the fact that they are opposed to testing per se—they always have been, and always will be. I am not saying that anybody in this debate falls into that category, but that is often the case in the education world. There is an ideological approach that goes back to the 1920s in the United States and to the '50s and '60s in this country that says that children should never be tested, and that they should learn by self discovery in a non-didactic way. It suggests that knowledge and concepts should be downgraded and replaced by teaching life skills. It is an ideology that is still very prevalent in the corridors of the education establishment.

The Select Committee rightly concluded:

"We consider that the weight of evidence in favour of the need for a system of national testing is persuasive and we are content that the principle of national testing is sound."

It went on to say:

"Appropriate testing can help to ensure that teachers focus on achievement and often that has meant excellent teaching".

I agree with the Minister—as I might do several times during this debate—about the importance of national testing. I think that the Select Committee came out in favour of the concept of national external testing.

Once we accept the principle of national testing, particularly its motivational role for students, teachers and schools, it is then necessary to consider each of the criticisms of the system of tests that we have in this country. The first criticism is that English pupils are the most tested in the world. However, that is factually untrue. The appendix to the report says that across the world, from Japan to France to Australia, some type of full cohort testing taken at key points in pupils' progression through school is the norm. In the United States, the No Child Left Behind legislation, which came into force in 2002, introduced statutory assessment of all children every year between the ages of eight and 14. In Alberta, Canada, all children aged nine, 12 and 15 have to take centrally set and marked tests. In the 2006 study by the Programme for International Student Assessment, Alberta, if it is assumed to be an independent nation, scored the second highest score, just behind Finland. In England, there is just one set of tests after seven years of primary education. Three years later, there is another set of tests and two years after that, there are GCSEs. I do not believe that that level of national testing is too burdensome.

Mr. Laws: Am I right in saying that about a year ago, a Conservative commission on public services and education considered this whole issue and recommended the abolition of the key stage 3 tests and the residue of the key stage 1 tests as well? Is the hon. Gentleman saying that his party has taken a definite decision to reject those recommendations?

Mr. Gibb: Yes, we have. Testing is here to stay. We have recommended abolishing the key stage 1 test—the teacher-led assessment—and replacing it with a screening test at the age of six, after two years at primary school, to ensure that children can decode. Testing will remain if the Conservatives are elected to Government in 18 months' time.

Mr. Chaytor: Will the hon. Gentleman accept that the real issue is not between national testing and no national testing; it is the nature of the national testing. For example, is the testing absolutely universal, what is its frequency, do the individual child and their parents

[Mr. Chaytor]

understand its significance and what use is made of it publicly? Those are the issues, and they distinguish the United Kingdom from almost every other country in the world.

Mr. Gibb: I will come on to those points, but I do not accept the argument that such tests cannot be used for multiple purposes. There are two main purposes—to assess the child and to provide an accountability framework for schools—and I do not think that they are incompatible. I will talk in a moment about the concept of teaching to the test and the extent of that problem and how we tackle it, but I want to focus first on the issue of too many tests. There is a problem with tests from 16 onwards. The introduction of modularisation and the AS/A2 split means that sixth-formers are taking exams throughout their two years of study with repeated retakes adding to that burden. From the age of 15 or 16, children in this country have a huge burden of testing, which is unnecessary.

The reforms have done so much damage. As I said in an intervention, they have stunted the progression of 16 and 17-year-olds from absorbers of knowledge and concepts at GCSE level to thinkers at A-level. Too many sixth-formers leave school with their intellectual development scarcely above the GCSE level because of the modular approach, which was reflected in the concerns the vice-chancellors expressed in their evidence to the Select Committee. We have asked Sir Richard Sykes, the former rector of Imperial college, to look at that aspect of the exam system to determine what reforms are required to restore the integrity and rigour of our examinations and public confidence in them.

Teaching to the test was raised in the report, and it has been raised extensively in this debate. I would argue that it is a feature of weaker schools. I visit schools every week, and I always ask heads whether they engage in the practice, whether for year 6 in primary schools or year 9 in secondary schools, and whether they focus on test practice, narrowing the curriculum or stressing their pupils. The heads of strong primary schools in particular tell me that the children in their school take the tests in their stride. They simply come in on a Monday morning and do them. Those schools are confident that their broad curriculum, which includes ample time for subjects such as history and geography as well as the basics and science, equips the children with a broad knowledge and vocabulary so that they can excel in key stage 2 standard assessment tests. Ofsted itself said on page 13 of the response to the Select Committee's report that

"the best schools can focus on tests and exams without narrowing the curriculum."

I believe that that is the case.

The schools that use synthetic phonics to teach reading in reception class and year 1 get to a position in which almost every child is a fluent reader by the end of year 1, or at the end of year 2 at the very latest. In those schools, having learned to read, children then spend the next five years of their primary education reading to learn rather than still struggling to read. Children should not be put in the position 10 weeks before their key stage 2 tests in English of being rehearsed to reach level 4. In strong schools, the aim is not level 4 but level 5—they are way beyond level 4. Schools should aim to teach beyond the test. If they were to do so, they would find that the test itself was not something to worry about.

I acknowledge that teaching to the test takes place in either a minority or significant minority of schools. Ofsted needs to monitor the extent to which it takes place and to report on it at an individual school level. It should criticise schools for doing it. I am always astonished by how many teachers admit to teaching to the test. The hon. Member for Huddersfield cited people who gave evidence to the Select Committee saying that they teach to the test. Professionals should not want to boast about it. It is, as he said, "naughty", and Ofsted should therefore include it as one of the things on which it reports.

I agree with paragraph 131 of the Select Committee's report, which recommends

"that the Government reconsiders the evidence on teaching to the test and that it commissions systematic and wide-ranging research to discover the nature and full extent of the problem."

Of course, schools are under pressure to ensure that all children who leave primary school are fluent readers and at ease with arithmetic. When tests were introduced in the mid-1990s, it became clear that one half of 11-year-olds were starting secondary school ill-equipped in the basics. Even now, one in five 11-year-olds leaving primary school still struggles with reading, and 40 per cent. leave primary school not having mastered the basics in reading, writing and maths combined.

I am always astonished when I visit comprehensive schools—even good comprehensive schools with good feeder primary schools—where the head teacher tells me that 25 per cent. of the children coming into their school have a reading age below the age of 11, or that some other significant percentage have a reading age more than two years below their chronological age. As much as half the intake of some weaker comprehensives with weak feeder primary schools has a reading age below the children's chronological age. That is totally unacceptable and unnecessary: reading is a low-level skill that all children, except those with particular neurological conditions, should master in the first two or three years of primary school.

Mr. Laws: I accept that it is extremely valuable to have accountability and to know what is happening in primary schools at one year, particularly when youngsters are about to leave, but what is the point of the key stage 3 tests?

Mr. Gibb: I will come on to that in the next segment of my speech. I will not avoid the question, as the hon. Gentleman did: I want to come to it in my own way.

Mr. Sheerman: I understand what the hon. Member for Bognor Regis and Littlehampton is describing, but, for the schools that I visit, it is rarely a question of poor leadership or a poor school. One has to look more closely at the situation. For example, many inner urban schools have children that have arrived from another country 18 months or a year before and have no knowledge of English—that could be a significant percentage of the population. One must look at the context: a new migrant population, a much higher percentage of special educational needs than one finds in the average school, and, of course, a great deal of social deprivation. As the hon. Gentleman knows, those things have to be considered.

Mr. Gibb: I understand that point. I came across it when I looked at Kobi Nazrul school, which is the school where Ruth Miskin was the head teacher. Some 98 per cent. of the children who go there are Bangladeshi—a significant proportion have English as a second language—yet, while she was head teacher there, she managed to get 100 per cent. of the children to level 4 in English. A few years later, the new head teacher was effective and continued to achieve those results, but I noticed that in one year, the figure went down to 67 per cent. I rang Ruth and asked why that was, and it was for the very reasons that the hon. Gentleman set out. It was impossible for children who had come into the school during the previous year to achieve the results, because they had not been there long enough.

One has to look at figures about schools intelligently, and I think most people do so. I certainly do, and I am sure that Ofsted does, as do parents: most parents I have spoken to do not look only at test results. They look at Ofsted reports, speak to the parents of existing pupils at the school, and look at how well dressed the children are. They consider a range of issues, but that is not a reason for not continuing with externally administered national tests and publishing the results.

Mr. Sheerman: There is a real danger in taking the tests too seriously. If Ofsted, increasingly with a light touch, is in a school for only a day and a half, there is so much pressure on it just to read the test results. There is little of the quality weighting that the hon. Gentleman described. That is the real problem with using testing inappropriately. If Ofsted had gone to Ruth Miskin's old school when the results changed and just looked at the results, it might well have condemned it.

Mr. Gibb: I absolutely agree with the hon. Gentleman. It is a pity that the Education Act 2005 changed the Ofsted inspection regime, which is now very short. I agreed with the changes that enabled a much shorter notice period—I thought that the months of pressure on schools to produce teaching plans and documentation ready for the great visit from Ofsted was a mistake—but why can we not have short-notice inspections that are slightly longer? I believe that teachers would appreciate having Ofsted inspectors in the classroom, particularly if the report on the school was negative. Ofsted needs to demonstrate that it has looked at the school in more detail than the short inspections allow at present. We must look at these things intelligently, and I agree 100 per cent. with the hon. Gentleman's point.

The pressure on schools is important. Schools should not be forced to fiddle the system. They should examine their teaching methods if they are worried about their key stage 2 or GCSE results, rather than take shortcuts or try to game the system. That is why Ofsted needs to judge schools on the basis of a balanced scorecard. It should note schools that put unnecessary pressure on pupils, that teach to the test or that narrow the curriculum. In all walks of life, there are competing pressures. In business, people are under pressure to increase sales, reduce their costs and keep the customer satisfied. If people just focus on one of those things, the business will go bust. If they just focus on reducing costs, they will find an unhappy customer base and if they focus only on sales they will wipe out their profit and the company will go bust.

The SATs that are most criticised—picking up the point made by the hon. Member for Yeovil—are the key stage 3 tests. However, those are probably the most important. Years 7, 8 and 9 are known to be a problem area in our education system, as one witness to the Committee said. There is significant evidence of a dip in performance that is not just a result of hot-housing at key stage 2. For example, 11 per cent. of pupils who reach level 4 at key stage 2 make no improvement over the next three years in their secondary education and gain another level 4 in their key stage 3 tests. These are the same pupils who went through the system.

The idea that any 14-year-old should have a reading age below the age of 11 is unacceptable. We need to be sure that secondary schools are setting children into ability groups from the start of year 7 in every academic subject, so that those with poor literacy are picked up early and helped. That is why it is important that we have the SATs at the end of key stage 3. There is also a danger, which would apply only to a minority of weaker schools, that, if the key stage 3 division and test were abolished, some schools would be tempted to spend more years focusing on the GCSE figures, so that instead of a two-year course leading to GCSE they may have a three or four-year course, simply to push up their GCSE results at the expense of the knowledge is needed in the earlier years.

Finally, on league tables, some people argue that the publication of the test results distorts teaching, rendering the figures unreliable as a consequence. The idea that publicly funded schools can conceal their results harks back to a pre-freedom-of- information era. I am sure that many Members of Parliament would like to go back to the era before the Freedom of Information Act 2000, but neither the public nor the media would tolerate for Members of Parliament or for schools. One key reason for SATs is to hold schools to account and identify individual schools that are underperforming. It is also important that parents are well informed about a school that they may choose for their child.

There is evidence that GCSE league tables have led some schools to push pupils into softer GCSEs to boost the five-or-more-GCSEs figure. That practice was, to some extent, exposed and stopped when the English and maths figures were included, but the problem is not the league tables but the target. There should not be a target for the percentage of five or more GCSEs. The objective and target for schools is to provide a broad, rigorous education for all their pupils: that is the objective and target that they should be aiming for. We can test that by using a range of measures in addition to the five or more GCSEs, including English and maths. We can, randomly and without announcing the measure in advance, publish the results for pupils with seven or more GCSEs at A* to C, for example, or for those with five or more GCSEs, including physics or a modern foreign language, then compare those figures with the headline figure showing those with five or more GCSEs, to see where schools are, pushing children into the non-core subjects to boost their results. Testing is key to the accountability of the education system. It is key to identifying the weaker schools, important for monitoring the progress that children make, and vital for motivation. If we abandon national testing, we abandon any chance of raising standards in our schools.

4.34 pm

The Minister for Schools and Learners (Jim Knight): I thank my hon. Friend the Member for Huddersfield (Mr. Sheerman) and the Select Committee on Children, Schools and Families for the important report that we are debating today, which, in turn, gives us the opportunity to debate the important issue of testing and assessment. I also thank my hon. Friend for his tireless work as Chair of the Committee.

I listened with interest to and was entertained by my hon. Friend's opening salvos on the importance of his reports, which are certainly taken seriously by me and the Department. We publish responses to his reports, although sometimes he does not enjoy them, just as we sometimes do not enjoy the reports. However, our having published the response does not mean we stop thinking about what the reports say. We continue to reflect on the Committee's work in respect of assessment and testing. I shall reflect on what has been said today in this useful debate, which has been slightly cosy in terms of the numbers of hon. Members engaged in it, but which, equally, has been helpful to me as a Minister and is an important part of the scrutiny of Government.

My hon. Friend hoped that his Committee was regarded as a pain—I think he said "positive pain"—and that is probably a fair assessment. I hope that my having been in post for 28 months, as was mentioned, does not mean that I am getting so thick-skinned as not to feel the pain. I shall try to remain that way.

The report has made a valuable contribution to this important debate and has brought together the views and experience of a wide range of partners. I assure Committee members that we have given serious consideration to its conclusions and recommendations and are continuing to do so. Our aim is shared by every hon. Member who has taken part in the debate: we want to help every child to do the best they can, and tests are an invaluable mechanism to help teachers to achieve that. They help to focus young people on the core skills that they need. I am unashamed in wanting them to focus on English, maths and science and on reading and writing, which is why those things are the basis of the SATs.

SATs create accountability in the education system. There must be objective, validated information about every school. That evidence must be collected consistently to allow accurate comparisons between schools and over time, because it is essential that parents have information about the progress of their child and the school that their child attends and of the education system as a whole.

I welcome the Committee's views in paragraph 5, quoted by the hon. Member for Bognor Regis and Littlehampton (Mr. Gibb), which are that

"the principle of national testing is sound"

and that the

"evidence in favour of the need for a system of national testing is persuasive".

It also states:

"Appropriate testing can help to ensure that teachers focus on achievement".

I hope that, in quoting the report in that way, I am not guilty of the practice of West End theatres that has, perhaps, now been done away with.

We are committed to those principles. Testing will continue to be a critical part of public accountability for the long term. The hon. Member for Bognor Regis and Littlehampton mentioned Alberta. I visited Alberta in November and found that it tests as much as we do. In fact, as I said to the Select Committee, we have shifted on the key stage 1 test over the last 10 years, whereas Alberta has continued with externally marked tests that are conducted on a single day and inform accountability with the school card system that, among other systems, reflects the results of those tests.

The OECD programme for international student assessment in 2007 states that

"over the last decade assessments of student performance have become common in many OECD countries...In the US, UK, New Zealand, Mexico and Canada, over 90% of 15 year olds had achievement data tracked over time by an administrative authority...And in the UK and US, heads of more than 90% of 15 year olds reported that school achievement data was posted publicly."

It continues:

"On average, 43% of 15 year olds across OECD countries were enrolled in schools which reported using achievement data in the evaluation of teacher performance."

It seems that testing is becoming more of an international trend, not less. I visited Spain last week and learned that it will be introducing national testing so that it can properly measure the performance of schools.

Having established the principle of testing, it is important not to confuse it with the problems with delivery this summer. The failure of the Educational Testing Service—the contractor to the Qualifications and Curriculum Authority—and the subsequent delays to results this summer have been deeply frustrating for pupils, parents and teachers. I share their frustration. Ofqual, the new independent regulator of exams and tests, has provided welcome reassurance that the quality of marking is at least as good as in previous years, despite all the delays and difficulties. I know that that reassurance is welcome.

Mr. Laws: Does the Minister think the QCA also believes the quality of marking this year has been as good as in previous years?

Jim Knight: The regulatory function is being separated from the QCA and given to Ofqual, which will make that assessment within the QCA, so I cannot give an authoritative answer on the QCA's view. Ofqual will continue to consider the quality of marking as it considers the review process.

Mr. Laws: Will the Minister tell us what evidence Ofqual has that the quality of marking this year has been as good as in previous years?

Jim Knight: I understand that Ofqual has examined the processes used, the quality control mechanisms and the design of the assessment system. It closely monitored the marking process as we went through the problems during the summer and is monitoring the review marking process by the NAA and its contractor. Hon. Members will be aware that the contract between the QCA and the ETS has been dissolved, and that £24.1 million has been recovered, with payment halted for future work. More than 99 per cent. of results for key stages 2 and 3 have been sent to schools.

The NAA is contacting schools that are missing results to resolve the remaining issues, and departmental officials are working closely with the NAA to ensure that the reporting of provisional results for 2008 can be brought to a close as soon as possible. The results of review requests that were submitted before the summer have now been sent out to schools. The NAA is confident that results for reviews submitted after the summer break will be made available to schools ahead of the revised deadline. The number of reviews has certainly been much higher than in previous years, and that is to be expected, given the problems with delivery and the lack of confidence that that generated.

Mr. Sheerman: I apologise to the Minister for not congratulating him on becoming a Privy Councillor. Before he is diverted to a matter that the debate is not about—that inquiry is being carried out now—will he respond to our debate on a report that we have written? What I want my right hon. Friend to speak about is not whether lots of other countries have tests, but the high-risk nature of tests here with the inspection system that makes them high risk for everyone. That puts stress on the head and on teachers, and makes them different from those in so many other countries.

Jim Knight: I shall come to that, and I appreciate that I may be stretching your patience, Mr. Williams, in saying a few words about the problems with delivery over the summer. Lord Sutherland is carrying out an inquiry, and the Committee is looking into the matter, so there will be plenty of opportunities to debate that in future.

Mr. Laws: The Minister said a moment ago that the number of appeals is considerably higher this year compared with last year. Will he give an estimate of that increase?

Jim Knight: I cannot do so here and how, but I am sure that that will be revealed in due course.

As my hon. Friends the Members for Huddersfield and for Bury, North (Mr. Chaytor) said, these problems give us an opportunity to reflect on the application of the principles for testing. We have said consistently that the current arrangements are not set in stone, and that is best evidenced by our piloting of alternative arrangements for testing, on which comments have been made today. We said in the children's plan that there may well be changes, and we recognise that the system could be more flexible for schools, more personalised for individual pupils, and provide more scope for teacher assessment and professional judgment. That is why we are running the making good progress pilot in 450 schools. It is not just about single-level tests, but includes one-to-one tuition, new classroom assessment tools, and stage not age tests.

In testing this new approach, we hope that pupils will benefit from a more personalised learning experience, whatever their starting point, that parents will benefit from clearer information about their child's progress rather than having simply a snapshot after two or three years, and that teachers will benefit from greater freedom to use their professional judgment about the progress a child is making and when they are ready to take a test. Every child, from the most affluent to the most disadvantaged and from the brightest to the least able, will have the chance to achieve what they are capable of. The most able pupils will be able to progress quickly, and those who need more help can cover difficult areas more thoroughly in personalised one-to-one sessions with a qualified tutor. Extra sessions might take place after school at a central location such as a drop-in centre, at home, or even in supermarkets—I know of one or two examples of that—on a Saturday while their parents do the shopping. They will not duplicate other forms of support on offer, but will offer extra support in a way that works best for pupils and their parents, and will give parents an extra opportunity to be involved in their child's learning.

We expect to release results from the second round of single-level tests to schools shortly, and we will publish an evaluation of the first year of the making good progress pilots later in the autumn. That evaluation will include an assessment of whether the tests functioned well in technical terms, how schools used them, and whether there was any impact on the rest of the curriculum. The Committee was right to recommend that we allow sufficient time for a full pilot of single-level tests, and to ensure that any issues and problems can be addressed before the model is rolled out. That is exactly what we are doing, and we will proceed with a national roll-out only if the tests work and result in improvements for pupils.

Mr. Sheerman: Why is my right hon. Friend so in love with single-level tests? What experience caused his romance with that idea? Which country or piece of research made him love them so much?

Jim Knight: My interest in single-level tests is, as I said earlier, the combination of improved assessment for learning and being able to trust teachers' professional judgment. As I took my drama examinations as a child, I was able to progress at a pace with momentum behind learning. Ultimately, we all want every child to have that momentum and sense of progress in their learning. We are chasing after a testing system that informs that momentum and becomes more personalised in informing that momentum. If we become international pioneers in that, so be it. That would be good.

Several hon. Members *rose—*

Jim Knight: All four hon. Members have risen. Is that a record? I shall start with my hon. Friend the Member for Bury, North.

Mr. Chaytor: If the single-level test proves successful, and if the national roll-out takes place, do the Government intend to publish the results of all the tests at each level for every pupil every year? What will be published?

Jim Knight: We have not made that decision. I think it is unlikely that we would do that, but we have not decided.

Mr. Laws: Will the Minister clarify—I apologise if this is already on the public record—when he and the Secretary of State will decide whether to extend the single-level test to the whole country? If they decide to do so, what will be the first year when the single-level test could come in and the existing test go out?

Jim Knight: As the hon. Gentleman knows, we are one year into a three-year pilot study. At the moment, we have not sought to anticipate or shorten the length of that pilot. It would have to show remarkable consistency and success, particularly in the technical issues of test design, to persuade us to shorten it. That is about as far as I can go at this stage.

Mr. Gibb: Does the Minister accept that the single-level test will lead to a huge increase in the quantity and frequency of testing in primary schools as they enter children for each level of the test when they feel that a child is ready? Instead of taking one test in year 6, a child could take three tests as they reach levels 3, 4 and 5, and another at level 6 if that is reintroduced.

Jim Knight: If an individual progresses through their learning at that pace across all subjects, yes, that might happen. However, although I am optimistic about the future success of the education system in primary schools and elsewhere, it is unlikely that pupils will constantly be taking tests when, on average, we are looking for two levels of progress for each key stage. The crucial thing is the atmosphere around taking the tests. The tests are shorter than the SATs and there is less pressure because the whole class—or cohort—is not taking them at the same time. The tests are a different proposition and teachers will decide the appropriate time to take them—as happens with musical instrument graded examinations and other graded examinations in dance, drama and so on. Indeed, parents might be enthusiastic for the next test to be taken, but it would not be done in the same atmosphere—or with the same high stakes—as an end of key stage test for everybody that is taken on a Tuesday afternoon some time in May.

Mr. Gibb: Music exams are quite stressful—for example, when children take their grade 5 piano—and how much pressure is put on children depends on the school. In good, strong primary schools, a lot of pressure is not put on children. However, does the Minister accept that most children will end up taking four tests instead of the existing one because as soon as they are ready for level 3, whatever year they are in, the school will put them in for that test in order to bank the result?

Jim Knight: Obviously that is something we will consider in the pilot. We have to examine carefully whether different sorts of gaming, teaching to the test and stress on pupils will be created. We would not want to introduce the tests if those sorts of factors create negative results.

Whatever changes might or might not happen, we need to answer criticisms about teaching to the test, about which we have heard much today. I noted that my hon. Friend the Member for Huddersfield said I might have my head in the sand on that particular issue. The latest Ofsted annual report stated:

> "successful schools use assessment well to track pupils' progress, tailor learning for them, and set targets for improvement. In the most effective schools, teachers and pupils often review learning against precise objectives regularly during lessons."

That needs to be the rule, not the exception—in all schools, not just the good ones. Schools must support personalised development of pupils at all levels. As I have said, there is a clear place for testing and assessment, but it has to be used in the right way. There will always be a certain amount of teaching to the test—my hon. Friend the Member for Bury, North said as much. When I took my driving test, I was taught to the test, but I was safer on the roads as a result. No parent would question whether their child was well-prepared for a piano exam, which the hon. Member for Bognor Regis and Littlehampton said was slightly stressful. That is the same shorter, stage not age type of test we have been talking about.

However, there needs to be a balance. Following the concerns raised by the Committee, Ofsted has recently raised concerns, and we have to take note of that. I have always said that teaching to the test—by which I mean focusing narrowly on assessment to the detriment of other aspects of the curriculum, rather than giving children a rigorous grounding in the core subjects as part of normal lessons so that they can pass tests in those subjects—is unacceptable. We make no apologies for the focus on core subjects; they should be a priority. However, good schools achieve the right balance, and do so not at the expense of the rest of the curriculum, as the hon. Gentleman outlined.

We are committed to gathering evidence about teaching to the test—as the Committee has recommended—and to exploring how far excessive time is spent on test preparation. School standards advisers are leading on that work, and we will use the evidence to provide guidance to schools, reinforce good practice and re-emphasise the message that excessive time spent on test preparation is unacceptable. It is appropriate that Ofsted should take note of unacceptable test preparation taking place in a school and reflect that in its findings.

We are already taking action to improve teacher assessment and assessment for learning, which is essential to help teachers to support pupils in the context of more personalised learning. Rigorous assessment and tracking of pupil performance to inform classroom practice is the most common feature of schools that are closing attainment gaps and seeing good progress in their pupils. Some schools are already using assessment for learning effectively. However, for a quarter of schools, ongoing assessment is a key area for improvement. That is why we have developed the assessment for learning strategy, together with the national strategies, the QCA and the Chartered Institute of Educational Assessors. The strategy will support schools in improving their ongoing assessment of each child in their class, and help them to identify strengths and areas where children need to progress. It will also help them to plan their teaching and additional support for pupils accordingly. We are investing £150 million over the next three years in the continuing professional development of school staff in relation to assessment for learning.

Mr. Laws: Will the Minister give way again?

Jim Knight: This is an extremely appropriate time for me to give way—although I recall the hon. Gentleman previously saying that he was intervening for the last time.

Mr. Laws: I am grateful to the Minister for his great patience. Just so I and schools around the country are absolutely clear on this, is he saying that despite all the

reviews, the time scale means that we will definitely continue to have key stage 2 and 3 tests in their existing form in 2009 and 2010?

Jim Knight: I have been clear about our commitment to testing and national testing. We are going forward with a procurement process for testing for next year, but, as I have said, we are continuing to reflect on what the Committee has said and what hon. Members have said in this debate.

Mr. Laws: Will the Minister give way for the last last time?

Jim Knight: If there is an absolute copper-bottomed guarantee that this is the last time, I will, of course, give way.

Mr. Laws: I am only coming back to the Minister on this point because he has not given us a straight answer to what is a pretty simple question. I thought he was saying that the pilots are in the first of three years, which suggests that there would not be any change in 2009 and 2010. If the Government are intent on the existing regime, why can the Minister not just give a simple commitment to keep the key stage 2 and 3 tests in 2009 and 2010? If that is what the Government are going to do, why can we not have some clarity on the matter?

Jim Knight: I cannot add much more. We are reflecting on that matter and have a procurement in place for 2009. If we were going to continue and were not reflecting, we would have simply re-tendered the ETS contract. However, we have not done so because we think it appropriate to have some debate, discussion and reflection on these issues. We are continuing with the pilot, but I am afraid I cannot be any clearer than that.

Testing is a vital part of the assessment system but, alongside Ofsted reports and teachers' own judgments, it is just one part of providing a complete picture of progress. Assessment is just one part of the system of reviewing pupils' progress. A testing system should be considered in the context of the other reforms we are making: raising the education and training leaving age to 18, the introduction of diplomas, the review of the primary curriculum being carried out by Jim Rose, and the more flexible secondary curriculum that started being taught this September.

Our aim is to create a system of fair access, personalisation, and learning that nurtures well-rounded individuals. Testing and assessment have to support that evolving system. We are pleased that the Committee recognises and endorses our approach to assessment for the new diplomas. The NAA is developing a national approach to assessment for the diploma that supports high-quality internal assessment and ensures the professional expertise of local assessors.

Ofqual will be responsible for ensuring high standards right across the spectrum of the qualifications system, including the new diplomas. As hon. Members know, we will be legislating in the next Session to establish an independent regulator of qualifications and tests—namely, Ofqual. Ofqual already exists in an interim form and it is exceptionally unlikely that it will continue to exist in the same office as what will be the Qualifications and Curriculum Development Agency. Ofqual has taken on the QCA's regulatory functions and, when it exists in statutory form, will report directly to Parliament.

The key driver for establishing Ofqual—announced by the Secretary of State just over a year ago—was to develop confidence in the standards of qualifications. But, for the first time, Ofqual will also have a statutory role to regulate and report on national curriculum assessment. Having Ofqual's independent assurance this summer has been invaluable. Its role in relation to tests will continue to be crucial in the coming years as we look to rebuild confidence in the testing system.

This has been an interesting and productive debate. Hon. Members on both sides of the Chamber made a number of interesting points. I shall reflect on them and discuss this issue further with the ministerial team, particularly as we look to the procurement process for 2009 and beyond.

With Ofsted inspecting schools, the QCA overseeing system development, Ofqual regulating the tests, and the involvement of the Office for National Statistics, the process is appropriately separated and independent from the Government. Teachers, pupils, parents and the public can have confidence in the process. We are determined to continue to get this right. We want this country to be the best place in the world for children to grow up, with a world-class education system that offers everyone an equal chance of a successful future, that narrows the attainment gap between the most disadvantaged and the rest, and that develops every child's unique talents so that they can achieve their full potential.

5 pm

Mr. Sheerman: With permission, Mr. Williams. That was a much better response to our report than the one that we originally received. I am reasonably pleased that when the hon. Member for Yeovil (Mr. Laws) intervened on the Minister, the Minister refused to take the bait and give us an authoritative and distinctive answer, because we want him to be contemplative and to take the pilot seriously. We want him, during this intervening year, to have the ability to judge whether the time is ripe for change, so I take a very positive view of his remarks.

One small disappointment that I have relates to the point on which I intervened. It is fine going around the world assessing what happens in different countries and saying that they all have national testing. Our report said that we were in favour of national testing, but we were worried about the high-risk nature of the testing, which can mean the end of careers very quickly. A head teacher who gave evidence to us said that he was in a small school in a very disadvantaged area in the centre of London, with a high level of change because of migrants coming in and going out. The statistics on his achievements can change very quickly. If Ofsted comes in during an unlucky year, rather than the next year, his teaching career is over—he will never be a head again. The high risk linked to the testing, which everyone knows about, is what concerns us most.

Let me explain the other aspect that I am disappointed about. I am sure that the Minister has read or will read the book of essays published by the Institute of Education and edited by Geoff Whitty and his colleagues. The point is made very soundly that too many people at the chalk face in our education system—teachers, support

[Mr. Sheerman]

workers and heads—feel that they are in a system that is one of central direction, that their professional competence, knowledge, understanding and experience are not fully used, and that the Department sees itself as the McDonald's headquarters and they are working in the franchise and are very restricted in how they can use their professional competence.

I ask the Minister to read the essays and to think. That range of essays certainly made me think carefully about what exactly we are doing with this profession that we have spent so much time rewarding better and paying better. We all recognise that there are now better salaries in teaching; there are better facilities, wonderful new buildings under the Building Schools for the Future programme, and much else. Is it not time—this is the heart of our report—that we started trusting teachers a little more to use their professional competence, whether that involves marking key stage tests or broader issues?

I do not want to prolong the debate further, but perhaps the Minister will also consider the relationship between testing and assessment and the uses to which that is put by Ofsted. There is another collection of essays, shortly to be published, to which I can refer him. He may be surprised to learn that the publisher is Civitas—a think-tank with which I am not usually associated. However, I have done a foreword for that group of essays about the change in Ofsted over recent years. The reason I bring that reading to the Minister's attention is that it contains very good contributions from heads and other experts and teachers about their perception of how short the Ofsted inspection now is—it is one and a half days in reality—and about their fear that too often the only thing they are being judged on is the printout of their results, so that testing and assessment become so much more powerful and daunting for any school. This is about a balance. I recommend that reading to the Minister. I would be very grateful if he were to reflect on it and if we could then have a conversation when he next came to our Committee.

Question put and agreed to.

Adjourned accordingly at six minutes past Five o'clock.

Westminster Hall

Tuesday 14 October 2008

[MRS. HUMBLE *in the Chair*]

Digital Television Switchover

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mr. Blizzard.]*

9.30 am

Mr. Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): It is a pleasure to serve under your chairmanship, Mrs. Humble. I hope that we do not cause you too much stress and discomfort over the next hour and a half. I am very grateful to have the opportunity to introduce this debate on digital switchover and particularly grateful to Mr. Speaker for allowing me to do so. I also welcome the Minister to her new role within the Department for Culture, Media and Sport. I appreciate that broadcasting is the responsibility of her soon-to-be noble Friend Lord Carter, but we all look forward to hearing her comments and answers at the end of the debate.

I sought this debate because switchover is very important to my constituency, where, in three weeks, we will see the first stage of switchover when analogue BBC 2 is switched off and moved across to the digital platform exclusively. That will be followed a fortnight later, on 20 November, by all the remaining stations. Over the past three years, since the timetable was published, we in the borders have been getting ready for this, particularly in the Selkirk transmitter area, which serves my constituency. Over that time I have chaired eight different meetings of the borders digital forum, which has brought together community activists and representatives, voluntary groups, broadcasting professionals and many others with an interest, direct or indirect, to ensure that we are on top of the issues and communicating our concerns to those with responsibility for ensuring that switchover is a success. In a couple of weeks I also look forward to welcoming the Secretary of State to the borders, when he comes to see for himself the preparations that are nearly complete.

Just over 70 years ago, the first flickering television pictures came on air courtesy of the BBC. We have since come a very long way from that technological marvel—whether it was moving from black and white to colour televisions, seeing the proliferation of new channels, or learning the different ways in which we can now record programmes or pause them and continue watching afterwards. It is unrecognisable from the service that started all those years ago. Switchover will be another giant step forward and a very welcome development. It will bring together a great many technological advances, provide much more choice—I shall return to that theme—and be compulsory, which makes it different from many previous developments. It is compulsory because of the intention to free up the analogue spectrum to allow it to be used for other purposes—another theme to which I shall return.

Switchover is an exciting prospect for everybody across the country, but as we face up to the imminent change in the south of Scotland, significant issues remain to be addressed. We are not the first part of the United Kingdom to transfer: constituents of the hon. Member for Copeland (Mr. Reed) in Whitehaven were the first to do so, last November. However, the digital switchover taking place in the Selkirk transmitter area in a few weeks represents a significant step change, covering a very large rural area involving more than 100,000 people and a number of transmitters. Whitehaven has just one transmitter, which was converted in a matter of minutes, but we have one main transmitter and 11 relay transmitters, so it will take the best part of a day on each occasion to manage the switchover. That represents a change in scale, and it matters that we get it right.

None of my constituents has complained about the fact that we are right at the front of the queue. Occasionally they have asked why they in particular have been chosen, but we recognise that before certain geographical issues associated with the sorting out of frequencies across Europe are addressed, it is easiest to deal with the borders, because that will interfere least with neighbouring countries. Equally, it is fair to say that most people recognise that there are fewer people in the borders than in many other places, so it is perhaps easier to do a little testing and experimentation. That has led to the guiding philosophy of the digital forums and other local activities: we are happy to be first, but we want to be the pioneers who get it right, not the guinea pigs from whose poor experiences other people learn.

Mr. Don Touhig (Islwyn) (Lab/Co-op): The hon. Gentleman describes this as an exciting project; he says that various groups in his constituency are engaged in discussions and that 100,000 people will see an improvement with the changeover to digital. However, does he agree that among those 100,000 people will be large numbers of blind, partially sighted and disabled people who will be desperate for the available talking menus and programme guides? Does he think that it is important that that figures very greatly in any of the provisions for switchover? On today's Order Paper is mention of a statement by the Secretary of State on the digital switchover help programme. Perhaps we will have some more news about how we can help those who are partially sighted and blind so that they can better enjoy the programmes.

Mr. Moore: I pay tribute to the right hon. Gentleman who has long campaigned on these issues, and I certainly endorse what he seeks to achieve. I hope that the Minister has information that she can share with us this morning and that more information will be made available in due course in the Vote Office. Those with sight difficulties and visual impairments need every help possible to make the experience of enjoying the available broadcasting facilities as good as possible. Surely one of the key features of the new technological era in which we live is the ability to package up many of the points that he raises. I hope therefore that she will also support the thrust of his comments.

I shall cover some of the technical and support issues that remain to be sorted out as we head into the final days before switchover in my constituency. I shall also address some of the shortcomings in Freeview, which is the main platform for switchover, and to consider the impact of the process on ITV, and in particular its regional programming and news. Furthermore, I shall set down some markers on what I think that says about broadcasting policy, particularly for rural areas.

[Mr. Moore]

On a practical level—on the ground in the south of Scotland—Digital UK has been working flat out for some time. It has run a very intensive campaign to raise awareness, which has been supplemented by a lot of fieldwork by key local people to ensure that residents are as ready as possible for switchover. Indeed, one cannot drive through Hawick, Galashiels or Kelso in my constituency without seeing the large pink banners with "Digital" emblazoned all over them, along with a warning that switchover is coming. I have no doubt about general awareness, and I am sure that the Minister will produce a raft of the latest statistics to re-emphasise that point. My concern is more about detailed awareness and the need to help people with some of the technical problems that they will face at the beginning—when their screens go blank or they get a caption saying, "This programme will cease to transmit in a matter of days", which will be someone's final warning if they have not done much up to that point.

Mark Williams (Ceredigion) (LD): In his history of television, my hon. Friend mentioned the flickering screens of the past, but in many of the most geographically challenging areas, such as those that he and I represent, flickering screens remain very much a reality. There is still concern that while a sort of picture is still received under the analogue system, there will be no picture at all after the digital switchover. What support should be given to help people in those areas to access Freesat? Should the Government give financial help to access services through Freesat in those geographically challenging areas where people are fearful,? Has that idea been a feature of the consultation in the south of Scotland?

Mr. Moore: The so-called digital one and a half—the 1.5 per cent. of the population who will not get any kind of Freeview picture—are an important part of the equation. About the same percentage of the population does not get an analogue picture at the moment. There is a group on the cusp who get some kind of picture, but under the more brutal broadcasting regime of a digital system, either people will get a picture or they will not. There will be no halfway house, so those people will be anxious about what goes on. I am worried about how many such people will be in my constituency and my hon. Friend's, because there is no easy way of predicting that. I certainly hope that the Minister will give an assurance that that group will be considered carefully. If the number turns out to be much bigger than her Department and Digital UK have been predicting, will she urgently consider supporting those people? They should not be marginalised during this process.

Last week, during Department for Culture, Media and Sport questions, the distinguished Chairman of the Select Committee on Culture, Media and Sport, the hon. Member for Maldon and East Chelmsford (Mr. Whittingdale), challenged the Secretary of State regarding the early set-top boxes that are about to become obsolete because technology has moved on. The Secretary of State agreed that finding oneself in that position

"is somewhat annoying, to say the least,"—[*Official Report*, 6 October 2008; Vol. 480, c. 11.]—

and indicated that he would go away and consider that issue. I hope that the Minister will update the House on how the groups who should benefit from the help scheme will be supported if they find themselves in that position.

I hope that the detailed understanding of my constituents is as high as the general awareness, and that during the days of switchover plenty of people will be on hand to help with the technical issues that many people will confront for the first time.

Mr. Russell Brown (Dumfries and Galloway) (Lab): I thank the hon. Gentleman for giving way and for securing the debate. I see him as a pioneer rather than a guinea pig, because I am next in line after him. I hope that anything that he experiences will be a lesson for future stages of the process. Has Digital UK given him any indication or commitment that it will have enough people available to help, on the ground, during the two or three-week periods when all this will be happening?

Mr. Moore: No specific numbers have been mentioned to me, but I have been given countless assurances that plenty of people will be available either on helplines or in situ in the borders. Certainly, plenty of people have been coming and going during the past few months; let us hope that they are all in position on the day itself. My parliamentary office in the constituency is slightly nervous about what might happen if problems emerge at that time.

As I have said, Digital UK has been ever present. It has attended every digital forum that we have had, as well as countless meetings. I thoroughly respect its team on the ground, particularly John Askew, who has played a blinder and has covered countless miles in the past few months. As soon as he finishes at the Selkirk transmitter, he has to head off and deal with the constituency of the hon. Member for Dumfries and Galloway (Mr. Brown) and ensure that it is properly looked after as well. I have pushed those people all the way, and they must have been a little irritated at times by all the things that I have been trying to get them to do. However, I respect the fact that they have so far responded to everything that people have asked of them, and I hope that that will continue.

The help scheme that the hon. Gentleman mentioned is the next stage of the process, although the jury is still out on whether the scheme will be a success. I tabled a parliamentary question during the recess about the number of people in my constituency who are eligible for the scheme and take-up thus far. In the middle of September—I acknowledge that that was a few weeks ago—less than 10 per cent. of nearly 18,000 eligible people had taken up the scheme. I do not think that people are fully aware of the scheme yet. That could be because people have already prepared themselves or because of confusion, but there is certainly confusion about who is running the help scheme. That is one thing that will need to be reviewed at the end of the process. Many people have been involved along the way—from the BBC having overall responsibility, to the subcontracting to Eaga, to the awarding of the prime contract to Sky, which took everyone by surprise. Many of my constituents have experienced confusion, and we must tackle that problem in other areas.

The fact that the help scheme has been so narrowly drawn has meant that Digital UK and others have had to rush in to fill a gap for those who are older but

under 75, and those who perhaps do not qualify for some of the relevant disability benefits but still need assistance. I welcome the fact that Digital UK has done that. The Bridge, a group in my constituency that co-ordinates local voluntary organisations, has taken a leading role in that on a very modest budget. I hope that Ministers and their officials will reconsider carefully the adequacy of the scheme. As is so often typical of the way that government is run these days, much is presumed of the voluntary sector. I know that many people in my constituency have spent many hours of their time going out to groups and trying to get to the hard-to-reach individuals who are among the most vulnerable. We do not know yet how successful that has been, but it will need urgent and quick review after the process is complete.

I highlight in particular Elder Voice, a group in my constituency that was set up to look after the interests of older people. That brilliant advocacy group, which deals with a whole range of issues, has gone out to take the message to all the different communities across the south of Scotland. As part of that, it recently held a forum in Newcastleton, bringing in huge numbers of people with lots of questions about switchover. That experience makes me think that specific awareness about some switchover details is not as high as we would like. No doubt the Minister will remind us that there is no shortage of help, but some problems regarding the organisation and co-ordination of that help and how it is resourced have still to be adequately addressed.

As I have said, the adequacy of Freeview is one of the issues that concern me most, as it will go beyond the switchover date. A constant theme of switchover has been the idea that we will all enjoy increased choice, and that is correct—whatever platform they use, everyone will get more TV channels to watch. However, the system is fundamentally flawed, because not everyone will get the same deal, particularly those using the most common form of reception—getting TV through their aerial. Ofcom recently published some research that it had done that highlighted the fact that in my constituency—indeed, across the Border Television region as a whole—as little as 55 per cent. of the population will receive the full Freeview service. That is way below the figure in any other part of the country. It is expected to increase to about two thirds, but even that figure is substantially short of that in just about any other part of the country. The problem arises because we rely on so many relay transmitters—the 11 that I mentioned earlier—reflecting the wonderful topography of my constituency: the hills get in the way of the signal, which then needs to be boosted by relays. However, I do not think that my constituents, just because they have the good fortune to live in a beautiful part of the country, should have the misfortune of being denied the choice and range of television channels that others in this country will receive.

As anyone who already has digital will know, there is a range of channels—about 40—that changes week by week. Frankly, the Freeview setup is a complete mess: there is broadcasting anarchy, where one cannot work out the sequence in which BBC or ITV channels, or any other channels, will come. If regulation and national intervention is the Government's new mantra, perhaps they might want to look again at how Freeview organises itself so that the poor consumer can understand it a little better.

David Taylor (North-West Leicestershire) (Lab/Co-op): I congratulate the hon. Gentleman on securing the debate. The central region, in which my constituency is situated, will be switched over in the first full year of the fourth Labour Administration in 2011. His point about topography is particularly relevant to the area I represent, as we are the westernmost constituency of the east midlands. Because of the topography, parts of my constituency, despite being in the east midlands, are unable to receive the signal for east midlands regional TV from Waltham-on-the-Wolds, but instead receive the signal from the west midlands transmitter at Lichfield. Does the hon. Gentleman hope, as I do, that the Minister will be able to encourage the authorities to piggy-back east midlands regional programmes on the back of the west midlands signal, as we now hear more about the undoubtedly fine places of West Bromwich, Aldridge and Coventry than we do about our own communities of Whitwick, Ashby-de-la-Zouch and Coalville. That is a problem in parts of England, as I am sure it is in parts of Scotland also.

Mr. Moore: I might not share the hon. Gentleman's confidence about that fourth Labour term, but I share his concerns about the impact that the new form of transmission will have on smaller communities such as mine. He has given the *Hansard* reporters a nice little challenge with the different communities he mentioned.

Although the technology exists to get around all those problems, my worry is that the Government have thus far let the broadcasting industry off the hook. We have a two-tier service. I was rebuked by Digital UK when I started referring to a two-tier service some years ago—I was told that it prefers the term "Freeview Lite". I said that I was happy to call it "Freeview Lite" too, but they are now irritated by that and claim that such a name suggests that it is not the full service. However, it is not. There has never been a good reason for that, other than the fact that the commercial broadcasters have been let off the hook and are not obliged to put their multiplexes in all of the relay transmitters. I have not yet been given a costing for doing that, so perhaps the Minister could share with us today how much it would cost the broadcasters to put their bits of kit in all of the relay transmitters. What sum are we talking about? With that information, we could start to debate the public policy questions about who should fund it. For now, it looks like we will end up in a position where only part of Britain will get everything and large parts in rural areas will receive a much reduced service.

Currently, the case could be made that some of those extra services are not exactly wonderful television, but top-up television—Setanta Sports, which has been controversial for other reasons recently—and many of the other channels that are held at the moment for ITV or Channel 4 for their more peripheral services, although I am sure that they will not like me using that term, are in that extra segment of transmission. I simply do not understand why people in rural Britain should be excluded and why that should have been allowed to happen.

I recently attended an event in Scotland at which the Ofcom advisory committee and various Ofcom officials were present. Without talking out of turn, it was clear to me that the attitude within Ofcom was that people in rural Britain accepted that they will receive some sort of second-class service. It is not only broadcasting, but lots

[Mr. Moore]

of other things that are important. I was absolutely appalled by that attitude and hope that the Minister will distance herself from it. I hope that, regardless of our political positions and parties, her Government remain a Government for the whole UK and not only urban Britain. This will be an important test of that.

Choice is one of the key themes of the digital switchover, as I have already mentioned, but choice also has to be about diversity. We have been told how much more we will have to enjoy, but at the same time ITV is predicting meltdown and suggesting that the public service broadcasting licence requirements are perhaps too onerous and that it might just give up the licences in due course. I have not seen ITV offering to give up position three on any of the different channel guides or anything that goes with that, so perhaps there is an element of bluff to be called in that regard.

However, we can see ITV's intent, and without diminishing or underplaying the serious economic challenges facing it, we have seen in the past few weeks the latest announcement about what it plans for regional news and programming. In the Border Television region, those plans amount to broadcasting vandalism, and what Jim Graham and Paddy Merrall put in place over decades on behalf of Border Television is to be swept aside. Michael Grade met with MPs from across the Border Television region a year ago and has agreed to come back to discuss the detailed proposals with us, so I hope that there is still a chance that those in charge at ITV will change their minds.

Border Television has had a really important role in the past and I am concerned that it is about to lose its relevance to people in my constituency. Such was its commitment to ensuring that parts of my constituency and parts of the constituency of the hon. Member for Dumfries and Galloway were on the television, that cameramen would report stories in far-flung parts of the borders, relative to Carlisle, and rush across to put the tapes on the X95 bus to Galashiels, waiting and hoping that someone would be there to pick it up at the other end and put it on. It was a bit of a threadbare system, but it worked, and it meant that the communities that I represent were regularly featured on television and that local news was relevant to them. Since that cameraman retired, coverage of my constituency and those neighbouring it has declined. There are no two ways about it. There has been no replacement reporter.

Under the new plans, we have been promised that there will be a dedicated opt-out for the south of Scotland in the bigger mish-mash of the Border and Tyne Tees arrangements, which will cover St. Abbs to Stranraer and Sunderland. What sort of region is that, and what relevance will news from Sunderland have for many of my constituents?

John Mason (Glasgow, East) (SNP): Does the hon. Gentleman agree with me that it is incredibly worrying that so much news should be compressed into such a short time, when people in the borders want Scottish national news, UK news and local community news as well? That could be a cause of worry across Scotland and England.

Mr. Moore: I congratulate the hon. Gentleman on his victory in the by-election before the summer. I know that he made his maiden speech in the Chamber yesterday and am sure that he will contribute hugely to the House. On the point that he has just made, I agree that it goes to the heart of the process of switchover and the consequences for ITV that areas such as mine will not feature as strongly in the news agenda. I do not think that the answer, as Ofcom now seems to think, is to push us in with Scottish Television, whose finances do not seem to be any more robust than ITV's. I am afraid that I see little in its current news coverage that suggests that it would have a great interest in coming to the south of Scotland and giving us the sort of coverage that we have enjoyed until now.

I hope that there will be a rethink by ITV. If we are to continue to see ITV as relevant to the regional map of Britain, ITV must be asked to rethink its decision. The company must understand that it has a duty to the diversity of Britain and that there is a proud tradition of coverage that ensures that subjects such as rugby in my constituency—indeed, in the whole of the south of Scotland—and local history are properly covered. Broadcasters such as Alistair Moffatt, who have made a career out of writing and broadcasting at senior levels, are now producing first-class programmes that are of interest to people in the borders; Mr. Moffatt's latest project was about Hadrian's wall. Under the present proposals, however, I do not see where there will be room for such work in the future, so I hope that the Government will think again.

The digital switchover process is important, and not just because of the precise issues of a technical and support nature it raises in my constituency, or because or the ITV programming questions. It is also important because of the principles that are being laid down. I know that there are different ways of defining the "digital dividend"—whether it is the freeing up of the television spectrum, or the resources that the Treasury may receive from selling off parts of that spectrum. Nevertheless, there are lots of exciting ideas about how that dividend might be used, including new types of services that we cannot really guess at now. Ten years ago, who would have predicted what television we would be enjoying now and its shape? What I do not want to see—I hope that the Minister will agree with me—is that with this switchover process we establish a principle that people in rural Britain will have to accept a second-class service and that new services will not be for everybody. That is the direction that the free market approach of Ofcom and the policy framework within which it operates seem to be leading us. When mobile phones came out years ago, the licence requirements demanded that huge parts of the United Kingdom were covered. The same has not been true of digital television coverage, and I hope that that will change. Otherwise, we will entrench the wrong type of principle.

As I said before, I am looking forward to welcoming the Secretary of State for Culture, Media and Sport to my constituency. He was quoted recently in *The Guardian's* media section saying:

> "I look to...Ofcom to advise me about the options. But questions of public service broadcasting quite rightly fall to parliament—they go to the heart of our democracy and our country. Ultimately, it's our call."

That is a bold and important statement, which I am delighted to endorse. I hope that it means that the Secretary of State, the Minister and their Department will be willing to ditch large chunks of the Ofcom

agenda that are not for the whole of the United Kingdom. We cannot have rural Britain marginalised, and I hope that the Minister will confirm that that is not the intention.

Mrs. Joan Humble (in the Chair): In the absence of Back-Bench Members, I call Mr. Don Foster.

10.3 am

Mr. Don Foster (Bath) (LD): Thank you, Mrs. Humble. I begin by congratulating my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore), both on securing this debate and on an excellent, wide-ranging speech. During his speech, he paid tribute to a very large number of people in his constituency and in the wider borders area who have been working very hard indeed to ensure that switchover goes smoothly. However, I think that it would be amiss if I did not also record that my hon. Friend himself has put in a great deal of effort on this issue, and he deserves the praise of the constituents for the hard work that he has done.

From the outset, my hon. Friend made it very clear that he is fully supportive of the move to digital. He said that it was a giant step, which offered consumers more choice, although he was concerned about the limitation of that choice for some of his constituents, improved viewing quality and at least the opportunity for a very wide range of additional services.

David Taylor: I thank the hon. Gentleman for giving way, and for his contribution. Would he perhaps expand a little on the suggestion by his hon. Friend, the hon. Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore), that people have a right to obtain a substantial amount of regional broadcasting? It is true that they have that right, but could the hon. Gentleman expand that to say that they have a right to receive regional broadcasting for the region in which they live, so that we do not have the situation whereby large numbers of people throughout England, Scotland and Wales receive news of areas that are not in their own region? Without being too parochial, those people want to hear about their own community.

Mr. Foster: The hon. Gentleman is absolutely right in his view about what our own constituents want. People in my constituency in Bath will pay a passing interest to what happens in Bristol, which is only nine miles away; they have very limited interest in what happens in Taunton or Exeter, but under the new proposals they are somehow expected also to be interested in what happens in Truro, which I think is extremely unlikely. Therefore, like the hon. Gentleman, I am very concerned about the current proposals, which will have a huge impact on our opportunity for local and regional viewing as we know it, about the areas in which we live.

Consequently, I very much hope that the Minister will comment on that fascinating quotation from the Secretary of State, which was mentioned by my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk, in which the Secretary of State made it very clear that public service broadcasting was a Government issue and not an Ofcom issue, so that it will be for the Government to examine the concerns that the hon. Member for North-West Leicestershire (David Taylor) and many other Members of this House have expressed about how we resolve the current situation and the problems faced by ITV.

Figures show that 88 per cent. of UK households now have digital TV on at least one TV set, and that is far higher than the Government's predictions. That is good news. Also, the market for digiboxes is working very well now. A few years ago, a set-top box would cost about £100; now people can get one for about £25 to £35, and indeed on some occasions boxes can be bought for as little as £9.99. In very recent times, we have also seen the launch of Freesat, which was referred to earlier in this debate. That launch was in May and already 100,000 homes have subscribed to that very exciting new digital service.

In general, the picture is encouraging. Therefore, although I want to concentrate on some areas of concern, in no way do I want that to diminish the clear view that I have that digital is an exciting development within television and that it is providing more choice and more services. Nevertheless, I want to pick up on some areas of concern—I hope that the Minister will understand why I want to do that—and to echo some of the concerns that were raised by my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk.

My first concern, obviously, is that having said that 88 per cent. of UK homes have at least one digital TV set, we must of course recognise that the vast majority of UK homes with a television set have more than one set. The latest figures point out that there are something like 18 million TV sets in this country that are still analogue, so there is a lot of work still to be done in ensuring that all of the TV sets in a home move to digital.

There is a particular issue that I hope that the Minister might be able to comment on. I would like to see much more urgent work being done about the issue of switchover in rented accommodation with communal areas, in other words in all forms of houses of multiple occupation. I believe that private and social landlords need to do very much more, and they need to be encouraged to do very much more, to take action to ensure that their tenants are ready for switchover.

I am well aware that Digital UK is about to commission pilot research to evaluate and monitor the progress and attitudes among people in the privately rented and leasehold residential housing sector in Manchester. However, the results of that research will come far too late to inform what happens, for instance, in the constituency of my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk and in the wider borders area, where, as we have heard, switchover is about to begin.

I am also concerned that although the switchover in the Copeland area was extremely successful, given the time scale involved, it seems that there will not be an opportunity to use in the borders the lessons learned from it. It is worth reflecting that the National Audit Office points out in a report that it prepared for the BBC Trust that

"not all lessons from Copeland will be known in time to incorporate them into the national contract".

That is a great pity.

I have concerns that echo those raised by my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk about the targeted help scheme, which is the

[Mr. Don Foster]

joint responsibility of the Departments for Culture, Media and Sport and for Business, Enterprise and Regulatory Reform. I have said in previous debates that I believe that the targeted help scheme is a Government policy and, as such, ought to be funded by the Government. It is wrong to fund it from the BBC licence fee.

I am also concerned that, in setting up the targeted help scheme—this is mentioned in a recent Public Accounts Committee report as well—the two Departments did not really do enough work on getting adequate safeguards and ensuring ensure value for money from the scheme. My hon. Friend listed the many organisations that are involved in it—undoubtedly, there is a tangled web of accountability. Because the estimates to date for the targeted help scheme have been so wrong, a large amount of the money is, in fact, unlikely to be used. Only 28 per cent. of the people in Copeland who it was predicted would use it actually did, and some figures suggest that as much as £250 million of the fund set aside for it will not be used and may become available.

Mr. Edward Vaizey (Wantage) (Con) *rose—*

Mr. Foster: The hon. Gentleman is desperate to get to his feet, and I am delighted to give way to him.

Mr. Vaizey: I do not wish to stop the flow of the hon. Gentleman, who, as many Members will know, is my mentor in this House, but he mentioned a possible £250 million surplus. Could he indicate what his party would do with that surplus, were it to form the first Liberal Democrat Administration for almost a century?

Mr. Foster: I am grateful to the hon. Gentleman for asking that question, which I indicated prior to the debate that I would ask him during his contribution. It would be inappropriate for me to reveal at this stage the response that he gave, but I hope very much that he will answer the question himself when he makes his contribution.

There are many interesting opportunities for using the money. Some might argue that it could go back to the licence fee payer who provided it—not, of course, the taxpayer. Others might suggest that it form part of the solution to the problem raised by my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk. I suspect that £250 million might easily help commercial broadcasters to provide their bits of kit for the relays in his constituency. Of course, there are other opportunities: we could look at some of the possibilities for providing a wider range of services for people who move to digital. I shall return to that point in rather more detail in a minute, if the hon. Member for Wantage will allow me.

So there are concerns about the targeted help scheme's tangled web of accountability and about the inadequacy of the planning. My hon. Friend the Member for Berwickshire, Roxburgh and Selkirk raised several specific problems in his own constituency and spoke about what even Digital UK itself has termed "Freeview Lite". I genuinely believe that the Government must help to find a solution to that problem so that all parts of the country are able to benefit to a fairly equal degree from the move to digital.

However, my hon. Friend did not raise other concerns about how the targeted help scheme will work in his constituency. One that has been raised by several people is the awarding of the contract to Sky. I have no problem with Sky getting the contract. Indeed, its offer to those who will benefit from it seems to be a good one. I have no criticism of Sky's winning the contract or of what it is offering. Where I do have a problem is with the use of data that will now come into its possession.

During passage of the Digital Switchover (Disclosure of Information) Bill, I expressed considerable concern about the uses that could be made of the data that will become available. After all, whoever gets the contract to provide services under the targeted help scheme will have access to details—a great amount of information—about the large cohort of people who fall under the various categories that are covered by the scheme. I was concerned that we ensure that they are not able to use that information for any form of marketing purposes, because, otherwise, they would have a considerable commercial advantage over any similar organisation. During the passage of the Bill, I was given absolute assurance that there would be no ability to use the data for purposes other than delivering the targeted help scheme.

Sky is offering an extremely good deal. For two months, people will get not only its basic service but also Sky Plus. After two months, Sky will write to those people, tell them that their free opportunity has come to an end, and ask them whether they would like to pay a subscription to continue receiving its wonderful service. I do not know how hon. Members would define that, but I would say that it is marketing the sale of a particular service to a particular group of people. I genuinely believe that that comes within at least the spirit of what was agreed during passage of the Bill, and I would be grateful to hear the Minister's views on it.

My other disappointment with the targeted help scheme is that the boxes that are on offer will not include an ethernet connection—a connection to the internet. The specification for the box does not include a return path; it is not part of the core receiver requirement.

Providing a return path would open up a wide range of additional services. On 27 February, the Department for Communities and Local Government produced a detailed document about the benefits of including a return path with digital set-top boxes. They ranged from smart metering to helping people with independent living to extending local government e-services. In short, the Department said that a return path would improve the delivery of a wide range of services to those who most use them, and that it would improve the quality of life of the recipients. Indeed, the paper concluded that such opportunities deserved to be "robustly explored".

Sir John Bourn of the NAO said that the Government need to do more to encourage technology-shy older people. He stated that

> "e-services are potentially a great boon to older people many of whom have mobility problems, have difficulty in gaining access to sources of information, live alone or want to remain independent and involved."

He is another person advocating technological developments, which are perfectly feasible if a return path is added to the set-top box. The Secretary of State himself said:

"My Department is committed to addressing the digital divide where it is economically and technologically feasible to do so."—[*Official Report*, 8 May 2008; Vol. 475, c. 1070W.]

The Secretary of State wants to ensure that people can link up to and get the benefits of new technologies. Sir John Bourn said that there are great benefits, and the DCLG said that one of the ways of achieving that is to stick an internet connection into the box. So what has been the response of the DCMS? During a series of parliamentary questions, I asked the Secretary of State what he knew about the work that was going on. I knew that it was happening well before the report was published, yet in his answer the Secretary of State told me that the first he knew about it was on the day that the document was published. He and his Department seemed to have had no involvement in the work that was going on.

Despite all that evidence suggesting that a return path is a good idea, it is currently not going to happen, because the DCMS—the Minister's own Department—has consistently refused to include it as part of the specification and, before that, it refused to say that we should look at what the cost might be. In April, in a meeting of the emerging technologies group, in which the Department is represented, it was decided that, despite the evidence from the DCLG on the benefits of a return path, its inclusion would "unnecessarily complicate matters" and, as a result of that, the industry's advice on how to move forward on this issue was not to be sought. That is a disgrace.

There is a real opportunity to get the whole country connected up and to get e-services and a range of other services that could help to the most disadvantaged people in our society in particular. One Department is saying, "It's a wonderful idea and we ought to be doing it", but the Minister's Department is saying, "We're not going to look at it; it's technologically too complicated." So technologically complicated is it, that when the Freesat box was introduced—100,000 people already have it, as I said earlier—it had an internet connection included. The kit is already being made in respect of the satellite receiver system. If hon. Members do a Google search, they will find that a number of boxes with such an internet connection are available. Although it is not much use if the software is not contained in the box to make it do things, at least it is already there in the specification of some of the commercially available boxes. I fail to understand why this idea is not going forward and I should love to hear the Minister's explanation about why that is so. The Minister has now made it even more difficult to move forward, because the latest technological specification for boxes in the core receiver requirement has within it an energy maximum figure set at such a level that, to meet it, it would be impossible for an internet connection or even a hard drive to be included. I hope that the Minister will agree to look at this matter.

One aspect of digital switchover, that of radio, was not touched on by my hon. Friend. We have real opportunities with digital radio as we move ahead. The evidence to date is that, until a switchover date is agreed—this is demonstrated by the example of television—we will not make the step-change progress that is needed.

Mr. Moore: I did not mention that issue because, although it was raised in our digital forums, people were confused that television is changing but radio is not. As a result of our campaigning, we persuaded the BBC to bring digital radio to the Borders for the first time. However, people are now frustrated that they cannot get Radio Scotland and other local services on digital radio. Does my hon. Friend agree that it is about time we moved that element on, at least?

Mr. Foster: My hon. Friend is right. The move to digital radio has been slow off the mark, in comparison with television. That is particularly worrying in view of the recent announcement by Channel 4 that it is not proceeding with its planned digital radio venture. Of course, that offers a number of alternatives. I hope that the Minister will be prepared to discuss with colleagues in other Departments the way in which that space might possibly be used for ventures, such as those proposed by many in respect of children's radio, which has huge educational benefits that should be explored.

Digital switchover for television is a huge step change; it brings huge benefits, including increased choice, better quality of viewing and opportunities for a wide range of new services. I do not think that we have got it all right, but it is still exciting and I am sure that we will all benefit from it. As my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk has rightly pointed out, those benefits are not going to be shared equally around the country and it is critical that something is done about that. It is equally important that we find ways of learning the lessons as we gradually roll digital switchover out across the country. Above all, I hope that the Minister will give some response in respect of the real missed opportunity of the ethernet connection.

10.24 am

Mr. Edward Vaizey (Wantage) (Con): It is a delight to debate this important subject under your chairmanship, Mrs. Humble. May I also congratulate the hon. Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore) on securing this important debate?

It is a delight to have the second chance to welcome the new Minister not quite to the Dispatch Box but to the table in Westminster Hall. It is a reflection of the importance of culture and media issues that I will probably face the Minister for a third time in a debate on a private Member's Bill on Friday. Therefore, this week, as Parliament returns and the economy collapses around our ears, we have the opportunity to debate many important subjects in the media world.

The hon. Member for Bath (Mr. Foster) took this opportunity to congratulate a few people, so may I add to the mix Digital UK, the organisation responsible for helping with switchover? The hon. Member for Berwickshire, Roxburgh and Selkirk said kind words about Digital UK. I should like to put on record that, in my dealings with that organisation, I have found it completely professional. As far as I am aware, its work in pushing through switchover seems to be going pretty well.

When we debated the small Bill to enable the sharing of data, thereby enabling digital switchover to take place, we in the Conservative party put on record our support for switchover and switching off the analogue signal. Before that Bill, there had been considerable debate about whether that was right, or perhaps too bold a step. It was compared, at one point, to a combination

[Mr. Edward Vaizey]

of gasification and North sea oil in terms of the technology and sheer scale of the work being undertaken. At least one important hon. Member—the Chairman of the Select Committee on Culture, Media and Sport, my hon. Friend the Member for Maldon and East Chelmsford (Mr. Whittingdale)—moved from being a sceptic to a convert during that debate. All three major parties support compulsory switchover, so the task of Parliament is to scrutinise the process and ensure that it goes as smoothly as possible.

The reason that this debate is so important, and that it was so important that the hon. Member for Berwickshire, Roxburgh and Selkirk secured it, is that it reminds those hon. Members who represent more metropolitan areas—although my constituency is fairly rural, it is just an hour from London and is unlikely to suffer a great deal of difficulty during digital switchover—that rural areas in this country could be the losers in switchover, and that everything possible must be done to ensure that any difficulties are kept to a minimum and tnat the maximum possible coverage should be achieved.

There is some credibility to the hon. Gentleman's statement that Ofcom has perhaps been mildly complacent in believing that rural areas will always suffer some kind of second-class service, rather than putting its shoulder to the wheel and thinking about how to ensure that rural areas get a first-class service. That is why this debate is important.

I hope that the Minister will address two key points that came across in the hon. Gentleman's speech and are worth exploring in some detail. He said that we are seeing the first major switchover. We know that switchover went smoothly in Copeland, but, as he said, the Borders area is a different kettle of fish, with not just one main transmitter but 11 relay transmitters and a rural population spread over a large area. Therefore, we will have to see whether switchover goes as smoothly there as it went in Copeland.

The hon. Gentleman made a good point about patchy Freeview and the failure of some commercial broadcasters to fit their multiplexes to relay transmitters. I shall deal later with the surplus that may occur in respect of the funds set aside to finance digital switchover. As the hon. Member for Bath said, that may be one use to which that surplus could be put. He and I would be interested to know what discussions the Minister has had with Digital UK, Ofcom and the commercial broadcasters about encouraging and supporting them to make technical changes to ensure that Freeview coverage in rural areas rises from two thirds to a substantially higher percentage. The Minister has been in the job for only three days, so she may not yet have had those discussions, but I know that they will take place soon after this debate.

The second issue that the hon. Member for Berwickshire, Roxburgh and Selkirk brought to the debate was news from the front line and, I confess, it surprised me. I was tempted to intervene in a genuine spirit of inquiry to discover more details when he referred to the muddle that many of his constituents find when trying to access the help scheme. It would certainly be a major concern, given the number of different players involved in providing help and assistance—Sky, BBC or Digital UK—if people were confused about what help could be accessed.

Mr. Moore: I am not suggesting that my constituents are confused, because they are generally able to access helplines that are well publicised and so on. Where it exists, the confusion is among the players about who does what, and the crossover between the official help scheme and the outreach scheme, which must cover all the gaps in the official help scheme and draw in many of the voluntary groups on which so much responsibility is then placed.

Mr. Vaizey: I am grateful for that clarification, but it makes the point even more effectively. A number of bodies are involved, and there may be some confusion and overlap. We want clarity, not least to ensure the effective use of public money.

The issue that is emerging from digital switchover is not significant concern that it will not run smoothly, that technical issues will not be addressed or that people will be unaware. We know that some 26 million analogue televisions remain out there, that about 10 per cent. of the population is unaware of switchover, and that some people feel unprepared for it. There are concerns that perhaps with hindsight the switchover scheme has been drawn too narrowly and that, given the surplus, people who fall outside the narrow remit of the scheme should be able to access some help.

Mr. Don Foster: The hon. Gentleman may be interested to know that later today the Secretary of State will make a statement on the very issue to which he refers. I understand that he will say—the Minister may be able to confirm this—that as of today people who have been in a residential care home for six months by the end of the eligibility period will be included among those who will be helped. I am sure that he agrees that that is a welcome step forward by the Secretary of State, and adds another much-needed category to the list of those being helped. However, making that announcement just two weeks before switchover will create great difficulty in the constituency of my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk.

Mr. Vaizey: The hon. Gentleman is right to pull up the Government for adapting the scheme on the hoof, but we should welcome the change if that is the case. I am not privy to the Secretary of State's inner thoughts, and I have not seen an early copy of the statement announcing that, because of the surplus that has been built up, the Government are prepared to extend the scheme.

There may be other technical difficulties along the way. When we debated the Bill there was enormous concern about large blocks of flats, and whether switchover could be successfully carried out in such buildings. I hesitate to call on the hon. Member for Berwickshire, Roxburgh and Selkirk again, but I am not sure that he would have such difficulties in his constituency.

The surplus that could build up in the money set aside to fund the digital switchover scheme is becoming increasingly apparent, and will be subject to debate. I shall be interested to hear whether the Minister will have discussions with Ofcom or, indeed, the BBC about that. When we debated that during consideration of the Bill, we secured a commitment, thankfully, from the Government that they would underwrite the process of switchover and that if for some reason the money set

aside was not enough to fund switchover completely, the BBC's licence fee would not be raided. The Conservative party, which was supported by the Liberal Democrats, was grateful for that commitment to secure BBC programming to 2012. It is obviously too early to say whether the estimated surplus of £250 million will become reality and, as this debate has shown, there may be technical issues that were not anticipated for which the surplus could provide icing on the cake and finance technical changes in rural areas.

The Government have four, or possibly five, options. The first, which I emphatically would not support, is to give the surplus to a major retail bank. We have given them quite enough money, so I am not calling on the Government to do that. Top-slicing is being debated—we wait to hear the Secretary of State's thoughts in the new year—and is becoming more popular with Ofcom and may be even more popular for the Government now that the Minister with responsibility for broadcasting, Stephen Carter, who is the father of top-slicing, is going to the Lords. That may be one place for the money. Another option is to let the BBC keep the money to put into programming. A third option might be to give the money back to licence fee payers. A fourth option might be to support the roll-out of super-fast broadband, which will be the next challenge in communications.

It was interesting to hear the hon. Members for Berwickshire, Roxburgh and Selkirk and for Bath talk about the challenge facing regional news, and the rapid technology changes with set-top boxes fitted with internet access. One issue that is of great interest to the Conservative shadow Secretary of State for Culture, Media and Sport, my hon. Friend the Member for South-West Surrey (Mr. Hunt), is local television. We are all extremely concerned about ITV's proposals for regional news, but the advance of technology and the internet in becoming a broadcasting medium may be able to fill that gap and provide low-cost, very local programming, but that will be effective only if we have a strategy to roll out super-fast broadband.

Mr. Foster: I entirely support what the hon. Gentleman says, and surely he acknowledges that even if we moved to local television, it would be far preferable if that were seen on our television screens and not on a computer some way away. Doing that via super-fast broadband and on television is another argument for having an internet connection on digital boxes.

Mr. Vaizey: I agree with the hon. Gentleman that an internet connection on digital boxes will probably be the way forward.

In conclusion, what concerns many people involved in the roll-out of super-fast broadband is that although the plans of commercial companies—British Telecom and Virgin Media—are well advanced, the industry is telling us that it is concerned that there is a complete lack of leadership from the Government. It is not necessarily saying that the Government must provide funding—no one is suggesting that, and estimates of the amount of investment needed vary from £10 billion to £15 billion—but the industry wants certainty from the Government that this is the right way forward, and particularly that it will be supported with regulation and co-ordination. It strikes me that the Minister has an opportunity to put it on record that the coming of super-fast broadband is a priority for her and her Department, and that she and the Secretary of State will start to show real leadership in that area.

10.39 am

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Barbara Follett): It is a pleasure to serve under your chairmanship, Mrs. Humble. I would like to thank everyone here today who has congratulated me. I am afraid that having a new job often makes one tired and that I have acquired a cold with my new job. I hope that I am audible through the cold.

I congratulate the hon. Member for Berwickshire, Roxburgh and Selkirk (Mr. Moore) on his success in securing an Adjournment debate and on using it to raise some important issues about the switch off of analogue signals in the Selkirk transmitter group area and across the United Kingdom more generally.

As the hon. Member for Wantage (Mr. Vaizey) said, there is cross-party agreement on the issue. I welcome the Opposition parties' scrutiny of the way in which digital switchover has been rolled out, particularly the work of the hon. Member for Berwickshire, Roxburgh and Selkirk. I know he has taken a great deal of interest in the issue and that he established the Borders Digital Forum in 2005 to review progress on digital switchover. Experience in Whitehaven shows that the support of a local MP is an important factor in ensuring that switchover proceeds smoothly in an area, so his engagement with this giant step is most welcome.

In responding to the hon. Gentleman, I shall say a bit about the progress on switchover generally, and then a few words about what is happening in the Selkirk transmitter area. I shall then turn to the specific points raised by him and other hon. Members during this debate. Hon. Members will be familiar with the reasons for switching off the analogue TV signals and replacing them with digital and will know that there are benefits to consumers. Only by switching off the analogue signal will it be possible to increase the coverage of digital terrestrial television, so that it reaches almost everyone in the UK.

Digital will provide efficiencies and long-term cost savings on terrestrial transmission switchover for public service broadcasters. In addition, allowing the development of new services through greater spectrum efficiency will provide savings for the UK economy. Digital UK is responsible for co-ordinating the switchover process and ensuring that everyone knows what to do, when and where. As the hon. Member for Wantage said, there is no doubt that the work of Digital UK and others is proving to be highly effective. As the hon. Member for Bath (Mr. Foster) said, Ofcom's digital progress report for the second quarter of 2008 shows that 88 per cent. of UK households now access multi-channel TV on their main television sets and more than half—55 per cent.—of all secondary TV sets in UK households have been converted to multi-channel TV. That means that 69 per cent. of all TV sets in UK households can receive multi-channel TV. However, I accept the hon. Gentleman's point that 18 million TV sets are still analogue.

The latest Digital UK/Ofcom tracker, which was published yesterday, also tells a good story. National awareness of switchover stands at 89 per cent. Slightly more worryingly, understanding is now at 68 per cent., so there is something of a lag in relation to that. Clearly,

[Barbara Follett]

switchover is still a few years away for many people and it is not surprising that although they might be aware of it, they do not yet fully understand the subject. However, in the areas where switchover is about to happen, levels of understanding are much more positive.

For example, in Selkirk, awareness stands at 99 per cent and understanding at 92 per cent.—much of that is probably thanks to the hon. Member for Berwickshire, Roxburgh and Selkirk. Moreover, actual conversion to digital TV stands at 88 per cent. Only around 6,420 analogue-only homes remain, compared with about 45,000 homes that have already converted. Those figures suggest that we are on track for a successful switchover in Selkirk. Comparison with Whitehaven at the same point suggests that Selkirk is in a better position, but I stress that no one is being complacent. Digital UK's promotional and information activities will continue right until switchover and beyond to ensure that everyone understands what is happening and knows what to do. I know that the hon. Gentleman will also do everything he can to encourage his constituents to take the necessary steps in good time.

I shall now turn to the switchover help scheme both in general and in Selkirk in particular. The Government have been clear from the start that practical help will be available for those who might otherwise struggle to make the switch to digital TV. That is why we and the BBC have established the switchover help scheme. As the hon. Gentleman will know, the scheme is open to people who are 75 or over, or to those in receipt of social security benefits, such as disability living allowance or constant attendance allowance

Mr. Moore: I thank the Minister for her earlier kind comments. She has pointed out that the scheme is open to those who are over 75 and we passed legislation in this place to ensure that the database that allowed access to the right age groups was made available to the help scheme. Can she therefore explain why Professor Fenton Robb, one of the doughtiest campaigners in my constituency on the subject of switchover, was asked to produce his birth certificate to prove his age when that information should already have been available? He has been campaigning about a lot of things and that was the final straw for him.

Barbara Follett: I apologise to Professor Fenton Robb. I hope that that situation occurred because he looks young. I do not know exactly why that has happened, but I will ask my officials to look into the matter and write to the hon. Gentleman and to Professor Fenton Robb.

As heralded by the hon. Members for Bath and for Wantage, the Secretary of State has today put out a written ministerial statement formally announcing that the help scheme will be extended to include everyone normally resident in care homes. Letters seeking information on residents have been sent to all care homes in the Selkirk transmission area, so that those people know that the help scheme can offer them assistance. As the hon. Member for Bath said, someone is normally considered to be a resident if they have been in a care home for six months or more, or if the care home manager expects them to have been resident for more than six months by the end of the eligibility period.

Mr. Don Foster: I am grateful to have confirmation about the expansion of the scheme and, as I said earlier, I welcome that. On the eligibility period, can she confirm that once digital switchover is completed in the UK, no one after that will be eligible for support? Surely an issue in relation to that needs to be addressed: we need to ensure that people who were refuseniks early on and want to move into the digital world at a later stage can access support?

Barbara Follett: I thank the hon. Gentleman for bringing that to my attention. I will discuss that with my officials because I agree: people tend to be refuseniks at the beginning and when they realise how difficult it can be to do the switchover. Thankfully, as an older woman of 65—

Mr. Vaizey: Surely not.

Barbara Follett: I have children and grandchildren who help with such things. I thank the hon. Gentleman for his chivalry.

Points were made about take-up rates in Copeland compared with elsewhere and the possibility that there might be £250 million in over-funding. Based on only 0.1 per cent. of the country having switched over, it might be a bit early to speculate in that way—although I am sure that we all hope some excess money will be left over at the end. If that is the case, the Government have agreed to first discuss it with the BBC trust and to look into innovative and useful ways of using that money.

The hon. Member for Bath also asked about social housing providers and people in buildings of multiple occupation. We picked up on that issue from the Copeland switchover and as a result have done a great deal of extra work to engage landlords in Selkirk. Private landlords have been contacted via letting agents, managing agents, the Scottish Borders council private landlords' forum and, more recently, through the tenancy deposit scheme.

In addition, all householders in the area have received direct communication, which includes information about what to do if they live in a building with a shared aerial. Digital UK has a dedicated website, which gives specific advice on that, and social housing providers in the area have had specific advice sheets from Digital UK. I hope that that covers the issue, but it will be interesting to see what happens in Selkirk.

Mr. Foster: I was slightly taken aback by the Minister saying that the Government picked up the issue of houses in multiple occupation in Copeland, because we had a lengthy debate about that issue, raised, as it happens, by me, in Committee two years before that, so it has been around for some time. Another issue raised at the same time and connected to it concerns the problems faced by people living in conservation areas, where planning issues prevent the erection of, for example, dishes or even, in some cases, television aerials. What progress has been made on that issue or was it picked up only in Copeland?

Barbara Follett: The hon. Gentleman will have to forgive me. I am a wet-behind-the-ears Minister in this case and I did not know about his contribution. Nor can I give him an answer now on conservation areas, although I know about the issue because I happen to live in one. However, I will ask my officials to write to him about that.

My right hon. Friend the Member for Islwyn (Mr. Touhig) asked about people with certain disabilities not being able to hear or see what was happening on the television. The emerging technology group in the Department for Culture, Media and Sport has been considering talking Members—*[Laughter.]* I meant talking menus—Members do nothing but talk. The group has been considering talking menus and talking electronic programme guides, and officials have had a number of constructive discussions with the Royal National Institute of Blind People about that. I know that good progress is being made, but I am not in a position now to say exactly what is happening at the moment.

The hon. Member for Berwickshire, Roxburgh and Selkirk spoke about boxes becoming obsolete. If anyone eligible for the help scheme finds that their existing boxes become obsolete or stop working, they will be eligible for help under the scheme. In other words, they will get a box either for £40 or for free. In general, when older boxes become obsolete, as technology in this area does at an increasingly rapid rate, people will just have to stump up for that themselves.

More than 7 million people throughout the UK will be eligible for help if they want it. The help scheme will be rolled out in each TV region as switchover approaches. I was glad to hear the hon. Gentleman describing the work being done in his area. Every eligible person in a region will be contacted by post directly at their home three times in the run-up to switchover. The scheme will provide a comprehensive service that includes the provision of easy-to-use equipment, installation and practical advice and assistance.

There was discussion of Sky pay TV and the Sky packages. The hon. Member for Bath mentioned that people on the help scheme are written to two months after the box has been installed and asked whether they want to continue to get all the free digital television and radio channels that they are currently enjoying. I want to make it clear that the help scheme has put in place very strict restrictions on the practice of up-selling, with the result that help scheme participants will receive Sky marketing material only if they have explicitly chosen to do so. Sky itself has said that it has no desire to send people unwelcome marketing material.

The hon. Gentleman also mentioned return-path technology. I thought that the Department's emerging technology group was still considering that issue; he says not. Again, my officials will have to clarify that—I am afraid that the hon. Gentleman will receive a raft of letters from me after the debate.

Mr. Foster: The Minister may find it helpful to know that I asked the Secretary of State to place the minutes of the various meetings in the Library and that what I have referred to is those bits of the minutes that are not blacked out. Unfortunately, large chunks of the minutes have been blacked out, as the Minister will see, so I have given my interpretation of what it says, which is that the decision has been taken not to go ahead.

Barbara Follett: In addition, Digital UK has entered into a contract with Digital Outreach Ltd to deliver community outreach services across the first four TV transmission regions. That is designed to help people who are not eligible for the help scheme but who nevertheless may have difficulty in switching to digital. It will provide information and training to volunteers and charity staff, and organise meetings and events in the run-up to switchover.

I commend Digital Outreach, which is a not-for-profit company set up by three leading national charities—Age Concern, Help the Aged and Community Service Volunteers—and Collective Enterprises Ltd. They have been doing great work in the Selkirk area. Any lessons learned in that area about interaction between the various help providers will be examined with great care. I would welcome any feedback that the hon. Member for Berwickshire, Roxburgh and Selkirk has, because obviously we want to ensure that these things work in other areas in the future.

Given the shortage of time, I shall not say as much as I had hoped to about the help scheme in Selkirk. The hon. Gentleman touched on most of it. He expressed some concern about how low the take-up was. There are approximately 19,000 potentially eligible people in the Selkirk transmitter area, and I understand that virtually all have now been contacted at least once if not twice. The help scheme has had responses from 5,700 or about 30 per cent. of them, and about 2,300 of those have opted in and 3,400 have opted out.

There may be many reasons why take-up is relatively low, but it is not at all clear at this stage that that is anything to worry about. Many people will have already decided to adopt digital TV of their own accord, and others may have decided that they are quite capable of doing so without the aid of the help scheme. The help scheme is there as a safety net, and I am glad to see that it is operating. It is keen to receive further responses and is in the process of sending out two more reminders to eligible people.

The hon. Gentleman is concerned that not all his constituents will get six mux—multiplex—coverage after switchover. He describes the three mux coverage as "Freeview Lite". Across the Border TV region as a whole, only 51 per cent. of households can currently receive digital TV through an aerial; after digital switchover, that will increase to 98 per cent. Of these households, 53 per cent. are predicted to receive the full Freeview line-up of 48 channels; elsewhere, 20 channels will be available. The first point to make is that the so-called Freeview Lite service means that the hon. Gentleman's constituents will be able to receive 20 of the most watched channels. That includes all the public service broadcast services currently available, plus a good deal more. Of course, digital terrestrial television is only one way to switch to digital. There are many alternatives, which I personally have to use, living in a hilly area. In particular, people who want more channels may choose from a range of free or subscription satellite services offering 90 to 400 channels. The BBC and ITV have launched Freesat; there is also Freesat from Sky. As the hon. Gentleman is aware, the Government and Ofcom are committed to ensuring that digital coverage for public service broadcast services substantially matches current analogue services—covering 98.5 per cent. of UK households—at switchover.

I understand the hon. Gentleman's concern about the proposed restructuring of regional news in the Border and Tyne Tees areas and the impact that that could have on local TV coverage, but he will have to raise that with the TV companies themselves.

[Barbara Follett]

The hon. Gentleman also spoke about the need to ensure that rural areas benefit from the digital dividend. We need to work on that to ensure that everyone gets the same service—

Mrs. Joan Humble (in the Chair): Order. We must move to the next debate.

Rare Medical Conditions

11 am

Dr. Doug Naysmith (Bristol, North-West) (Lab/Co-op): As always, Mrs. Humble, it is a pleasure to serve under your chairmanship. I am grateful to Mr. Speaker for granting me this debate, as it will provide a welcome opportunity to discuss with my colleagues the needs of patients who suffer from rare and complex medical conditions.

I emphasise that the Government's commendable policy of making the national health service more locally accountable should not prejudice the interests of people with such conditions, as they have requirements that need to be planned and provided for regionally and sometimes nationally. Many of these conditions are severe, genetically determined and sometimes life threatening. They include cystic fibrosis, some myelomas, Gaucher disease, paroxysmal natural haemoglobinuria—PNH—and muscular dystrophy. However, many of us, or our friends and families, could need specialised services for severe burns, spinal injuries or serious mental health problems, to take only a few examples. Those living with rarer cancers often encounter similar problems receiving care as do those with other rare medical conditions. Examples include some brain tumours, soft tissue and bone cancers, and HIV-related malignancies such as Kaposi's sarcoma.

The point of listing these conditions is to emphasise the fact that rare conditions and specialised services are not unusual curiosities, but are to be found at the heart of what makes our NHS special. For that reason, those of us with an interest in the treatment of rare and complex conditions were delighted by the Government's decision to ask Sir David Carter to review the commissioning of specialised services. In an impressively coherent report, published in 2006, Sir David recommended that 10 specialised commissioning groups should be set up at regional level to plan and procure services catering for populations of more than 1 million, and that the constituent primary care trusts should pool budgets to pay for the procured services.

Indeed, on 8 January, the Prime Minister said:

"[illegible] cost of ever more effective technology intervention rises [illegible] is little advance knowledge of upon whom the cost will [illegible] is more important than ever to pool the risk and share the cost of those interventions fairly across our whole population."

That risk-sharing aspect of the NHS was one of its fundamental features when it began 60 years ago. Another feature apparent then was a commitment to research and the development of new treatments and technologies. That makes it all the more bizarre these days that when effective treatments become available, often developed within the NHS, they are sometimes denied to patients on the ground that they cost too much.

Considerable progress has been made towards implementing the Carter reforms in the two years since publication of the report, and that should be recognised. However, specialised services seem to have a habit of moving to the periphery, and there has been a worrying lack of recognition of the Carter principles in a number of recent Department of Health documents. For instance, there is no mention of them in the next stage review final report or in "High Quality Care for All", nor are they mentioned in the draft NHS constitution. Furthermore,

because small patient numbers requiring individual services means that the cost of treatment tends to be high, it puts rare and complex conditions in the thick of the current debate about top-up fees and the like.

As my hon. Friend the Minister knows, I am a strong supporter of the National Institute for Health and Clinical Excellence, and a firm believer in its role as an arbiter of the clinical effectiveness and cost-effectiveness of medicines—and, I hope, increasingly of other forms of treatment. However, if we used cost-effectiveness as the sole criterion for decision making, the NHS would rapidly lose public support—for example, palliative care could instantly be discontinued, and heart and liver transplants could be at risk. Indeed, NICE's citizens council has constantly found that large majorities are in favour of society taking care of those in greatest clinical need. The Secretary of State's directions for NICE cite clinical need and innovation as factors to be taken into account alongside clinical effectiveness and cost-effectiveness. However, the directions on clinical need and innovation are not explicitly recognised in NICE's recently revised document on social value judgments. Surely all the Secretary of State's directions should be adhered to when decisions about the funding of treatments are taken by NICE, PCTs and other bodies?

On the subject of exceptional cases and exceptional case panels, procedures for assessing exceptional cases were originally established to consider the funding of treatments that could be of debatable clinical benefit, such as tattoo removal, breast enlargement or hair transplants. In order to receive funding, patients had to establish clear clinical benefits, such as the alleviation of severe suicidal depression. However, with the advent of new high-cost treatments for a number of rare conditions—for example, some of the rarer cancers that NICE cannot assess because a drug has not been licensed or because it is waiting in a queue—primary care trusts are increasingly using exceptional case procedures in order to assess whether or not such patients should receive treatment.

The clinical benefit of such treatments is often not in doubt, which means that it is difficult for patients to prove that they are exceptional. In many such cases, it is clear that the procedures are being used to assess whether the treatments are cost-effective—something that they were not designed to do and which they are ill-equipped to undertake. That is not satisfactory, and the Rarer Cancers Forum has pointed out some of the drawbacks. For example, 3,000 patients make a request for exceptional funding every year, of which a large proportion—2,200—are approved. However, those patients first have to navigate a confusing system that has no common term to describe exceptional cases to help the panels that assess them. Indeed, exceptional cases are varyingly referred to as "underfunded" or "non-normal" treatments, or even "case-by-case" requests; and the panels are sometimes referred to as "priorities panels", or "commissioning advisory groups".

There are huge variations in the number of exceptional applications made to PCTs and in the proportion of applications that they accept. One PCT received 180 applications over 20 months, whereas another received only one. Likewise, some PCTs approved all applications and others approved none. There are differences in how PCTs deal with exceptional case procedures: some have panels to assess treatments and others do not; some of those panels are dominated by administrators, and others include a majority of clinicians. In addition, some PCTs use social criteria, such as whether a cancer patient has children, in order to determine whether a case should be approved; and others do not.

We need to make improvements to ensure that the NHS does not progressively become a body that fails to provide health care based on clinical need rather than ability to pay or some other criterion, and that applies particularly to patients with rare and complex conditions. Despite the rapid recent growth in NHS spending, affordability will always be an issue. The NHS will always have a limited pot of money, and we have to accept that it cannot fund everything. However, the existence of a NICE threshold for cost-effectiveness, which has changed little for 10 years, must be contributing to the current pressure for top-up fees.

Some positive things are happening, which should help in future. For instance, some substantial savings for reinvestment will be made from a generation of blockbuster drugs that are due to come off-patent in the next few years. The Department of Health and the pharmaceuticals industry have recently come up with a few innovative approaches to risk sharing that enable patients to access new products earlier in their life cycles.

It is easier to draw attention to problems than to provide solutions, and I am conscious that I have done the former so far; so I shall conclude by listing a number of things that I believe need attention if we are to put things right. The aim is to introduce fairness and transparency into the current systems for specialist commissioning.

First, I hope that the operating framework that is due out later this month will help to complete successful implementation of the Carter report on specialised commissioning. Secondly, the NHS's proposed right of access to local services should be extended to include specialised services. Thirdly, the Secretary of State's directions to NICE on clinical need should be actively adopted by NICE and throughout the NHS when taking decisions that affect the funding of treatments. Fourthly, the Department and NICE should explore ways in which to recommend a treatment for use in the NHS, even when it does not have product licence, on the basis that it can be used to treat a biologically similar condition. I realise that proposal is complicated, but it is worth exploring.

Fifthly, there is a need to encourage collaborative working between PCTs, which is already happening in many places. A poll by the NHS Confederation in June showed that more than three quarters of NHS organisations believed that PCTs should work together nationally or regionally when deciding which expensive drugs or treatments should be offered to patients. Finally, as the Select Committee on Health has frequently recommended, it would be helpful if NICE evaluations could be speeded up. I know that there is a willingness in both the Department and NICE to do that, but progress, interestingly, is remarkably slow.

I look forward to hearing what my hon. Friend the Minister has to say on those very important matters.

11.12 am

Steve Webb (Northavon) (LD): I congratulate the hon. Member for Bristol, North-West (Dr. Naysmith), my constituency neighbour, on securing this important

[Steve Webb]

debate and on the thoughtful, measured and well-informed way in which he opened it. I agree with the thrust of what he said, and I am grateful for the opportunity to participate. I have recently been made aware of the work of the Rarer Cancers Forum by meeting a constituent who is affected by some of the problems that the hon. Gentleman spoke about. Briefly, I should like to describe my constituent's experiences and draw some conclusions about how the system is working or, more to the point, not working.

My constituent, Robert Derrick, is in his mid-60s; he is a father and grandfather who lives in Charfield in my constituency with his wife, and who runs a small business. He could be any of us. Last year, he saw a surgeon in Gloucester because it was clear that something was not quite right. The surgeon suspected bone cancer, but in June 2007, he was diagnosed with kidney cancer and had a kidney removed. In October 2007, he had a knee and part of a femur removed. He went through the wars but, interestingly, made a good recovery. He still runs his business, which I believe involves transfers for vintage motorbikes, and he is keen to go on doing so. We have a correspondence, and I met him and his wife on Friday. He has had kidney cancer, but one would not necessarily recognise that he was ill.

In June 2008, he was admitted to Gloucester hospital bleeding from the lungs, and was diagnosed with inoperable metastases on both lungs, at which point the system started to go wrong. The family spoke to the consultant, who told them that they can have two drugs, one on the NHS and one not. The drug that is available on the NHS is called Interferon. In Mr. Derrick's circumstances, it offers a poor quality of life and works for only one in six people; it might, with luck, give him another six months. The consultant said that Sutent, the other drug, should work well. The family wrote to me to tell me that their impression was that the consultant had told them that Mr. Derrick could expect to lead a normal life on Sutent, so there is a huge contrast between the drugs.

Sutent and associated treatments cost £4,000 a month—no-one pretends that that is not a lot of money—and the family were told that the NHS would not pay for it. The consultant said, "Every time I get a patient who would be appropriately treated with Sutent, I fax a request to Gloucestershire PCT, but it has told me to stop doing that because it has an exceptional funding process." If the consultant referred everybody who he thought would benefit from the treatment, by definition, they would not be exceptional, so the PCT told him to stop making requests. He replied, "All my patients are exceptional, so why should I look at 10 people who come through my door and privately make a decision to pick this person or that because they are somehow more exceptional than the other nine? That is not why I came into medicine." When Mr. Derrick and his wife went to see him he said, "There's no point me even applying for this drug, because the PCT will just say no." Understandably, the family were unhappy.

When approached, Gloucestershire PCT said, "You haven't asked for or applied for the drug, in this case, for this patient, so we haven't yet refused." Having been told to apply, we did so. The family wrote in, the consultant said why Mr. Derrick would benefit and I wrote letters of support. The PCT had a meeting and decided not to fund the treatment, which is probably not surprising. However, the meeting was held behind closed doors, and had I not told the family what date the decision would be made, they would not have known. They were not allowed to send anyone along, did not know who was making the decision, and there is no accountability for what happens behind those closed doors. Making what is literally a life-or-death decision behind closed doors, unaccountably, is a problem.

When the decision was made and the family came to see me on Friday, they said that they had not yet had an explanation from the PCT. I phoned the PCT on Thursday night, and was kindly sent a copy of the letter that explained things, which they were about to post. In the letter, the chief executive of Gloucestershire PCT wrote:

"Whilst sympathetic to the patient's condition"—

Mr. Derrick smiled at that pathetically weak phrase and said that it was the first time that he had had any sympathy from the PCT. We know that funding cannot be provided for everything and everyone, but we should all be treated with humanity and sympathy. The letter continues:

"the symptoms described are, unfortunately, not uncommon in patients requesting this treatment and are therefore not considered exceptional in that they will be experienced by other patients in the county. We therefore regret that we feel unable to grant funding".

In other words, Mr. Derrick was not different enough to warrant funding.

NICE preliminary guidance concludes that Sutent is not cost-effective. However, there was uncertainty whether NICE had taken account of the fact that Pfizer provides the first course—four weeks of tablets and two weeks off—free of charge. NICE did not factor that into the costing of the drug, because the Department said that it was not sure that it was national, robust or rigorous. However, I believe that Pfizer confirmed that the first month is free to the NHS, so NICE could take account of it when it revises its guidance. Will the Minister assure us that it will? The first month being free to the NHS should be taken into account in the costing. Pfizer has also provided further clinical data. I hope that NICE has a more favourable cost assessment when it revises its judgment and that it recommends the treatment. I asked NICE whether it can speed up the process, because until the guidance is revised, PCTs throughout the country will use the preliminary guidance and probably say no in most cases. I also contacted Pfizer to see whether my constituent can go on a clinical trial or something.

Mr. Derrick told me that it is not the illness that gets him down, but the battling—the constant lobbying and letter writing, uncertainty and waiting. It would be unfair to say that the people making the decisions are faceless, but they are in the sense that they sit behind closed doors. The problem is that people do not know who is deciding their fate.

Not only is the drug available in most other European countries but it is also more expensive. This is not a case in which a drugs company is making vast profits by charging huge amounts in this country. The drug is cheaper here than elsewhere. Most other European countries pay for it, and some PCTs have approved its being prescribed, but not my constituent's. That is the root of the problem.

Let me share with the House a few words from Mr. Derrick's daughter. She wrote to me and has given me permission to quote from her letter. As an Opposition MP, I do not have the right to place something in the Library, but I would love to place this letter there because it is so powerful. Her letter is headed:

"Robert Derrick, Not Cost Effective."

It includes a photograph of him with his grandchild. His daughter says that

"it all depends on where you live. If you live in one place in Britain it definitely is OK to let you go. If you live in another it certainly is not, and in some, you just need an assertive family and a really good lawyer, and if you don't have them, then oops yes, it's OK to let you go too."

She goes on to say:

"The differences don't stop there. If you can prove you are exceptional, then you might be in with a chance of staying alive. But surely we are all exceptional. It's a funny thing. You have to show you are different to everyone else who is the same as you, i.e have this horrible disease. So you can't win."

She talks about the difficulty of battling the disease, and says that a patient cannot enjoy what is left of their life.

"No, you have to find the energy and the will to fight, do research, hassle doctors, MPs, journalists and anyone else who will listen to you to try and get them to understand that you do count, that it really is immoral and barbaric to let you die like this."

She says that the drugs are costly, but that does not amount to much in the great scheme of things.

"Is it really too much for Dad to expect the best available treatment, one that his neighbours are getting?"

I know that it is easy for me to say that Mr. Derrick should just get his drug. The Minister has a fixed budget and has to allocate it. My argument is that if the public's priorities were really getting through in the NHS, they would want Mr. Derrick to have his drugs at the expense of other things the NHS spends its money on. If the public were actively involved—even locally in Gloucestershire—and were asked to list their priorities, I believe that this case would be one. This case is not about localism. I believe in localism and that the health service should respond to local needs. However, this is not about that. Mr. Derrick's needs are not different because he lives in Gloucestershire; he would have the same needs wherever he lived. Localism is not relevant in the provision of a treatment because, morally, it should not matter where a person lives. What should we do? I believe that the system is cruel and inhumane because it has the random element of where a person happens to live. The system is not working and it is not what the public wants.

The hon. Member for Bristol, North-West raised the crucial issue of the cost threshold NICE uses to evaluate drugs. It is about £30,000 for a quality-adjusted life year. I know it is not quite as simple as that, but that is the figure that appears in the Sutent judgment. As the hon. Gentleman said, that figure has not kept pace with the costs of the NHS and its medicines since NICE was introduced. If that one change was made—if NICE was asked to adjust that threshold to reflect what has happened since it was created—and the Sutent appraisal was redone in the light of the fact that the first treatment is free and of the latest clinical evidence, that could just make the difference. It would not make a difference for some drugs, but it would for this one.

I understand that the Minister cannot say, "Yes, of course, this gentlemen can have this drug." However, this is not a choice between two drugs, one of which is quite good, and one of which is very good, one of which is fairly expensive and one of which is very expensive. It is a choice between treatment that will prolong Mr. Derrick's life, perhaps for a good long period, and his death. It is not that there is a treatment that works and a treatment that does not. There is only one effective treatment, and the NHS does not pay for it. That is wrong. The NHS does not pay for the treatment because of where Mr. Derrick lives. If he lived somewhere else, it would pay for it. I ask the Minister to look again at the threshold that NICE is using and objectively assess whether it should be increased because of NHS inflation and drug price inflation, and to let us know how quickly it can be done, to benefit not just my constituent but many others.

11.24 am

Dr. Ian Gibson (Norwich, North) (Lab): It is a pleasure to see you in the Chair, Mrs. Humble. I should like to congratulate my hon. Friend the Member for Bristol, North-West (Dr. Naysmith) on setting us down the track on this important issue and covering lots of ground, which will save us getting into it, because we absolutely agree with him. He has the facts at his fingertips. I can sense a whiff of socialism in the air around this place. It is apparent, if one is in the right wind direction. I am aware, though, that there are hon. Members here who do not like that. On Radio 4 this morning, I heard a Republican denying that what was happening in America had any semblance of socialism. He said that recent events were a little episode that will suddenly disappear and then we will get back to good old strong capitalism again.

We are seeing that in the health service too. Last night, I was with the Minister at a party on the 29th floor of a building not far from Millbank. Many people were talking about the information that patients were getting now, not just through websites and the internet but from individuals. They said that the balance of power was swinging in the health service. Jonathan Miller described it as a revolution. He said we were moving towards a situation in which doctors, GPs and consultants would have to find time to listen to the patient. Sometimes the patient knows what is happening, can understand it and should be put in a position in which they can say clearly, "This is having a good effect." They understand that doctors should not be as omnipotent as the system often makes them. That is important. Some of what we are talking about today is part and parcel of that process.

The hon. Member for Bristol, North-West has delimited many of the things that are happening. I have reason to congratulate the Government. A consultant at Guys called me to say that the Government had used a special system, on which the Minister will elaborate, for paroxysmal nocturnal haemoglobinuria. A special commissioning group had decided to extend the system to a group of patients in this country, and various strategic health authorities had come out and said that Eculizumab must be available on the NHS. What a way forward. At last, amazingly, something is happening that will make a difference to people's lives. I am not talking about millions or even thousands of people, but individuals

[Dr. Ian Gibson]

and groups of people, who, politically, punch well beyond their weight in numbers. They are not 3,000 beekeepers coming down to make a noise about bees. Those patients might be numbered in fives and tens, but they have a huge influence on the process.

It is not just MPs and Ministers who play a part, but people across the country. That gives confidence to other groups to take similar action. Therefore, people who punch beyond their weight can have an effect. We must ensure that when we implement this system, there are no delays and no postcode lotteries, whereby one place gets the drug and another does not. Those days are past. That nonsense is surely over. After all, NICE was inaugurated to prevent such behaviour. Ever since, there have been problems relating to finance, the way in which people make their judgments, and who is on the committees that make such judgments. One of the issues that my hon. Friend the Member for Bristol, North-West touched on was that the people on the committees are often hidden away and we cannot find out who they are. Some committees are made up of administrators, some have a few clinicians, and others have a large number of clinicians. It is no surprise that there are huge differences across the country and they must be eliminated.

I want to carry on the Sutent argument. For my sins, I have to chair the Rarer Cancers Forum, whose meetings take place in here, in dining rooms and so on, and who are an amazing organisation of people. They are enthusiastic, determined and knowledgeable. They have recently published a well-researched, well-documented report called "Taking Exception", which is a must-read for the Health Committee. The way forward is for groups of people to come up with things that are not contained by the rules of this House. Such people come together from different parts of the country and produce new and exciting ideas. We tend to get trammelled by the pathways that operate in this place.

This morning I phoned a friend of mine who has just been given Sutent by NHS Norfolk. His name is David Blackett, and I met him at a football competition at Tasburgh; he was not a bad player in his time. He has kidney cancer. He wanted the drug, and he has been paying for it. He has funded it himself, and it is costing an arm and a leg: the house, the insurance and other things have had to pay for it. On top of that, there is the top-up issue—the Government are holding an inquiry into it—which means that people who self-fund are not allowed to use other NHS facilities. It creates a huge political dilemma about a two-tier service that must be eliminated quickly.

The issue arises only because decisions are made not to give people the prescription drug Sutent. Why was it given in David's case? It was partly because of the inquiry being held into the need for top-up fees, but also because his doctor stood up in front of the committee with two pictures, one taken before Sutent and one after, and said, "Just look at that cancer. There it is then, and here it is now." There was a huge difference.

Steve Webb: I am fascinated by what the hon. Gentleman says. Is there not a contrast between the PCT that he just described, where doctors can go in and argue the case, and the example that I described, where the proceedings are entirely closed off from the patient?

Dr. Gibson: Absolutely. It is important that the patient should be there, too, to see that he is being well represented by his GP and that they have talked together. David has a friendly GP and consultant who have allowed that. In some places, the consultant's word is good enough; in other places it is not, and the administrator must sign the claim form and so on. All sorts of different systems operate. No wonder there is great confusion. I am pleased that doggedness can make it happen, but we must stop this nonsense, as the hon. Member for Northavon says.

Dr. John Pugh (Southport) (LD): Although I warm to the idea of PCTs having to give explanations for their decisions, is it not also the case that some PCTs would simply be out of their depth and unable to make extremely complex decisions on rare conditions?

Dr. Gibson: Absolutely. That is why I started by saying that the Government had created a special commission to represent different PCTs across a region. There is no reason why there could not be an East Anglian regional determination for such matters. Why is it important? It is because of the number of exceptional cases. My hon. Friend the Member for Bristol, North-West has already quoted the numbers, but of maybe 5,000 cases a year, only 800 are refused. One wonders whether some of those refusals come about because of some doggedness in a PCT or in individuals, or whether the wrong people are involved and so on. The numbers are not astronomical, but let us say that those 800 all paid top-up fees. I am sure that good administration and good judgments about how the system operates and who is involved could greatly reduce that number until it became fairly trivial.

Dr. Naysmith: My hon. Friend is making a good case, but the PCT special committees called to consider exceptional cases used to vary greatly. A member of the trust would be brought in who happened to be in the office that day, and two or three of them would sit around and make a decision. Then, the next time a decision had to be made, different people would make it. It has been recommended that that should change, and it has changed in Bristol PCT, although I do not yet know about South Gloucestershire PCT. It is important to have much more continuity if we are to get standard and reproducible decisions.

Dr. Gibson: It is true that that is improving in places, but by gosh, people have to fight to make it happen. Some lawyers are active in that field. I will not name them, but they have attended debates here and hammered away at MPs. They do not do it for profit; they just take the case and fight it, and it has been hard. One of them just wrote to me. He congratulated the Government and told me what was happening in Scotland—I will leave that out—but he had just heard that

"Hampshire PCT now refuse to allow any patient involvement in their whole decision and appeal making process...in Manchester one PCT insists on a signature from a trust manager in any application before it is considered and the consultant application route is not enough."

There are still major differences. It is not rocket science; it is just about equality. There are terrible inequalities in how assessments are made that would easily be eliminated by a bit of action from Government or strategic health authorities.

We talk too much about drugs. In my socialist mood, I would nationalise the drug industry. Everybody laughs when I say that, but at every union and Labour party conference in the 1970s, one had to say that or get booed, and anyone who said it would be cheered to the echo. If we are nationalising banks, why do we not start thinking about nationalising other things? But that is enough heresy in this place for one morning. We do not hear much of it, but it is a thought. Drug companies are merging anyway, and if they do not get their evil way, they get the hump and threaten to go to Ireland, Europe and so on. The first drug NICE ever considered was made by SmithKline Beecham, as I think it was called at the time, which threatened to go to Europe if it did not get its evil way. There are all sorts of political pressures like that, and in cases such as the ones that we are discussing, the drug companies have some questions to answer.

I think that the next few years—the next few weeks, even—will be quite exciting. It is high time that things happened. Many of our constituents are wary of the process because they do not understand it, and it is our job to ensure that it is simple. Many things could be said about the issue. It is not just about cancer; it is about technologies becoming available. People can do things such as blood sampling, treatment for diabetes and so on at home. Those technologies need to be assessed, and I accuse NICE of not taking other technologies as seriously as it takes drugs. An inquiry is probably needed; the Health Committee may have something to say about it. We may need a separate arm of NICE to push along other technologies such as stents for heart problems. An exhibition is held here every year, although hardly any MP goes to it, of all the new, modern gizmos that allow people to assess their own health, take measurements, save GP time and so on. It is an exciting time and NICE is at the hub of it, but it must get its act together quickly or socialism may come into it.

11.37 am

Dr. Richard Taylor (Wyre Forest) (Ind): It is very nice to be under your chairmanship, Mrs. Humble, and it is good to see in the hot seat two hon. Members with considerable experience of the NHS from their careers as nurses. I am pleased to see them. I welcome this debate and the introduction given by my friend from the Health Committee, the hon. Member for Bristol, North-West (Dr. Naysmith). It is crucial at this time.

So many different definitions of rare diseases are used, but I think that the easiest is that a rare disease is one that a busy GP would not see more than once a year. A lot of work has been done in Europe by the rare disease task force, which has chosen the most ironic day to be rare disease day in Europe: 29 February. As to the availability of treatment, I commend the Government for following up the Carter review and creating the regional specialised commissioning groups and national specialised commissioning groups, which will make a huge difference. A word about the national commissioning group: its website gives a list of the illnesses and groups of illnesses covered, but there are just 38. I do not think that that can be complete.

We have heard about paroxysmal nocturnal haemoglobinuria, and I commend the Government for allowing treatment for that condition. I looked in my Merck Manual, the bible for those who, like me, are out of touch with medicine. My 2006 edition dismissed treatment for PNH as being only supportive. However, I received a letter from a constituent of mine with that very rare disease. He is 45 years old with a wife and three children under 16. In 2000 he lost his job when the disease was diagnosed and for a long time was out of work and receiving disability living allowance and incapacity benefits. He also had to have blood transfusions every three months, despite which he was extremely ill. He heard of a team in Leeds working with Alexion—a drugs company in the United States—and went up there fortnightly. For four years he has been taking Eculizumab and has not required a single blood transfusion. Furthermore, the treatment has been free, because it is part of a phase 3 clinical trial. He is now off the disabled register and back in part-time work. He would have been devastated if he could not have had the treatment, which is to be introduced on 1 April. Will arrangements be made for those such as my constituent to receive the supply that they need up until that time?

That brings me on to NICE and other points raised by other hon. Members. Eculizumab seems to have bypassed NICE. It is absolutely right that it has been approved, and I suppose that it could not be examined by NICE because the condition is so rare that there is not enough evidence and are no comparative trials. That makes it very difficult. However, that means that, if things that are examined by NICE are turned down, they have a desperately unfair status. We have heard already from the hon. Members for Northavon (Steve Webb) and for Norwich, North (Dr. Gibson) about Sunitinib. I have seen three patients whom I thought were exceptional cases—the first two, in Worcestershire, were described as "not exceptional" just like in Gloucestershire, and it was suggested that there was no point in referring any more similar cases because they would not be exceptional either. Then I saw a patient whom I thought was definitely exceptional: a 36-year-old lady with young children to whom even an extra few months of life would make all the difference, but again she was not counted as an exceptional case.

Rare cancers are covered by specialist commissioning groups and will probably get funded, so why could they not take on people with common cancers who appear to have rare social conditions and the need for a rare drug? In those cases, some fairness could be introduced into the system, because Sunitinib, as we have heard, is funded in several parts of the country, but not in others. I would very much like there to be other ways of treating such non-exceptional cases of relatively common cancers, but where the patient is in truly exceptional circumstances.

Not very much has been said about research into rare diseases, which of course is desperately important. I shall always remember a John West cartoon of a very worried lady talking to her husband in a hospital bed saying: "The doctor says it's so rare that they cannot be bothered to find a cure". Sadly, that is rather near the truth. I remember a particular Health Committee report that found that drug companies at the time were investing £3.3 billion a year in drug-related research, which was many times the figure invested by the Department of Health, the Medical Research Council and medical charities combined. We are dependent on the pharmaceutical industry for research into drug treatment, but inevitably, owing to the costs of new drugs, the industry must consider drugs that will produce a return.

[Dr. Richard Taylor]

What made Alexion look at paroxysmal nocturnal haemoglobinuria, which is so incredibly rare? I flashed Alexion up on Google a few moments ago, and as far as I could see it only produces that one drug and is desperately researching its use for asthma, and in transplantation and inflammatory disorders. Why did it start and come up with this remarkable drug that it describes on its website as the

"first and only medication approved specifically to treat PNH"?

In the 2005 Health Committee report into the pharmaceutical industry, we made it quite clear that we wanted the Government to direct, and have discussions with, the industry to include in its research rare diseases. With that report, we discovered that the Department of Health does not respond to a conclusion unless the word "recommendation" is in it. One of our conclusions read:

"Priorities for research into medicines inevitably reflect the interests of the pharmaceutical companies and are not necessarily well aligned with the medical needs of all patients. The industry will continue to undertake the bulk of research in this area, but there are improvements that could be made. We welcome Lord Warner's recognition of this and look forward to his proposals to align more closely the drug companies' research strategies with the public health aims".

In fairness, there were some comments about that in the introduction to the Government's response, although the Department did not pick out that particular conclusion. One comment read:

"To build on this progress, the Government is consulting on a new strategy for the NHS contribution to health research in England."

A document entitled, "Best Research for Best Health: a New National Health Research Strategy", was published around the same time. I am sure that the Minister is not quite prepared for this line of questioning, but what progress has been made on the NHS contribution to health research?

On the pharmaceutical industry, the response stated:

"One of the areas considered by the Committee was how the Government could inform the industry the disease areas where more research was needed."

The response went on to say that the Government were forming the Ministerial Industry Strategy Group to continue the dialogue between the Government and the industry. I would love to know if any updates are available on that.

How do we find the money to begin to afford all these expensive treatments? To me, the answer is obvious, but no one will accept it because nobody likes the dread word "rationing". In a briefing for this debate, the Specialist Healthcare Alliance suggested that we use the money saved from medicines coming off patent to re-invest in new treatments, which the Department has started to do. Ages ago, it produced the paper, "Better Care, Better Value Indicators", which I have mentioned umpteen times before, and which showed that if everyone prescribed generic statins the way that the best 25 per cent. of primary care trusts do, we would save £80 million a year. So the answers are there.

In its submission, Myeloma UK said:

"We need a broad societal debate on what should be paid for by the NHS".

Finally, the *British Journal of Healthcare Management*, for which I have a great deal of time, popped across my desk this morning. I shall finish with a quote from Nick Bosanquet in an article about top-up fees, which I hope will be passed across the Minister's desk as well. He said:

"Top-up payments should be regarded as an interim solution until we are prepared to reform the lop-sided rationing problems of the NHS. NICE is in effect applying an intensive form of rationing to one corner of health spending. NICE claims that it is making these decisions on the grounds of affordability, but there is no connection at all between the denial of these therapies and the financial state of the system. Nor are patients in neglected areas getting more because cancer patients are getting less. NICE is intensively rationing cancer drugs while large areas of inefficiency, waste and duplication have had no attention at all."

That is an excellent summary of the position.

[JOHN CUMMINGS *in the Chair*]

11.50 am

Mr. David Anderson (Blaydon) (Lab): It is a great privilege to work with you again, Mr. Cummings. A long time ago, we worked together in a very different place. I congratulate my hon. Friend the Member for Bristol, North-West (Dr. Naysmith) on securing the debate, and I assure those present, particularly *Hansard* staff, that I shall do my best not to use words of more than three syllables.

I am not a health professional, as many colleagues present are. The hon. Member for Wyre Forest (Dr. Taylor) spoke about the Merck Manual; the only Merc I ever had was a 1990 230 estate, but that was an automatic, not a manual. My background is in coal mining, and I was once a care worker for elderly people, but I have spent a lifetime in a family that has been devastated by muscular dystrophy.

Within a month of coming to this place, I was asked whether I would be prepared to chair the all-party group for muscular dystrophy, and I was pleased to take up that opportunity. I want to put on record my thanks and the thanks of those involved with the parliamentary group, as well as campaigners on muscular dystrophy, for the great response that we have had so far from the Minister. She has shown real good will in trying to take forward the campaign with which we are involved. I thank her in particular for giving us access to the civil servants in the research department whom we met during the recess. They were very positive about their role in helping us to maximise opportunities to develop good-quality research.

I shall spoil the party a little bit now, though, by telling the Minister that I am going to write to her about an issue that has arisen as a result of those meetings. It is ludicrous that Government money that had been allocated to the development of drugs to help people with this disease has been classed as underspend because it has not been spent within a certain time scale, and will probably be clawed back. That money has been underspent not because people have not wanted to use it, but because the phasing of what they have been doing did not work as they thought it would. It is not rocket science, but it is research science. Surely, the essence of research is that things develop in a way that is uncertain. Things sometimes go much quicker than expected and sometimes much slower. That money is a relatively small amount in the Department's global sum, and the

fact that it has not been spent within the expected time scale should not be a way of getting money back into the Department. It should be kept by the groups doing the research.

I have received information from the Muscular Dystrophy Campaign that I want to take hon. Members through to inform them of the current situation. There are more than 60 types of muscular dystrophy and related neuromuscular conditions—rare conditions for which there is no cure. That shows the importance of the research work being done. It is estimated that such conditions affect more than 1,000 children and adults for every 1 million of the UK's population, and conditions can be genetic or acquired. Some types, such as Duchenne's, are aggressive, causing muscular deterioration and wasting. They are responsible for respiratory and cardiac problems and, sadly, result in premature death, particularly in young boys. Other conditions can cause lifelong disability. My sister was 53 when she died and my brother was 48. They had lifelong disabilities, but not very long lives.

The campaign invests about £3 million of its own money in research, care support services, muscular centres, development networks, and in sharing information and resources. It has pioneered research into treatments and cures for nearly 50 years, but it cannot do everything on its own. The House, the Department, the Government and the Minister all have a responsibility, and I know that the Minister takes her responsibility very seriously.

Last December, the campaign produced a report called "Building on the Foundations: Establishing a Specialist Neuromuscular Service across England", which found classic disparities such as those that the hon. Member for Northavon (Steve Webb) mentioned. In the north of England, where we have a strong lead in muscular research, the average survival rate for patients with Duchenne's muscular dystrophy is 30 years, whereas in the south-west it is, sadly, only 18 years. That is a huge difference in life expectancy. The report also found that two out of three primary care trusts do not support a muscle clinic for either adults or children, which means that many patients do not receive the special care that they need. It also found that the service is dependent on a handful of world-class specialists. What will we do when those people retire or move on to another area and there is no on left to come behind them? We must take control and embed what they are doing into a national structure.

Last month, the Muscular Dystrophy Campaign carried out the "State of the Nation" survey as part of its muscle week. The survey focused specifically on access to specialist services, quality of life and the impact of living with a rare disease. There were 1,000 respondents, of whom 50 per cent. said that their experience of the diagnosis process was either poor or very poor. The results showed that half of patients have not seen a physiotherapist and that half do not have access to a specialist neuromuscular consultant. The survey also found that 80 per cent. of patients do not visit a specialist centre or receive specialist care for their condition. The campaign believes that those problems can be put right, and we seek commitments from the Department on its recommendations. It would be great if the Minister said yes today, but I do not suppose that she has the authority to do so.

The campaign recommends that we should, as a matter of course, designate specialist muscular services within the Department of Health's specialised services definition set, so that specialised commissioning groups can be set up across England. Each such group, and responsible bodies in Scotland, Wales and Northern Ireland, should follow the lead of the South West SCG and carry out a comprehensive review of the provision of specialist services. Let us know what is going on out there. We should also ensure that every person who is affected by muscular dystrophy has access to a care co-ordinator or key worker who can take a lead on their behalf with the care team and provide them with support, information and a regular review of their care plan. We need more. Far be it from me to fall out with my hon. Friend the Member for Norwich, North (Dr. Gibson), but the truth is this: socialism might put this matter right, but whether there is socialism, capitalism, a laissez-faire approach or a middle-of-the-road system, those people are not being looked after properly, and we need a system that does look after them properly.

11.57 am

Dr. John Pugh (Southport) (LD): I congratulate the hon. Member for Bristol, North-West (Dr. Naysmith) on his introduction to the debate. Indeed, all hon. Members have spoken in a well-informed and, at times, moving way. I apologise for the manner of my delivery, as I have a heavy cold, which, fortunately, is neither rare nor complex.

It is a principle of NHS care that care should depend on the severity of a condition rather than its rarity. No one should be discriminated against simply because their complaint is rare or complex. In reality, rare conditions have fewer lobbyists—there are many in this Chamber, but not so many in the outside world. Rare conditions are less well understood, are generally more expensive to treat and interest the world of pharmacy and commercial medicine less because they do not hold the prospect of such lucrative gain. Often, the therapies and treatments for such conditions are less certain and are harder to test.

In such a world of limited resources—the hon. Member for Wyre Forest (Dr. Taylor) talked about rationing, as he does in many debates—there is a utilitarian argument that would lead to the deprioritisation of such illnesses and complaints. However, I do not think that the NHS was ever meant to be run along utilitarian principles. To address the natural effects of resource pressure, the Government have wisely allocated the commissioning of services for rarer and complex conditions to special commissioning groups, using pools and top-sliced funds from PCTs. That follows the Carter review's recommendations, which I think everyone in the Chamber broadly supports.

We also have a national commissioning body to deal with those things that cannot even be financed on a regional basis. That has a sound objective: to ensure an even pattern of commissioning, which we clearly do not seem to have at the moment, given hon. Members' contributions. I support that strategy, but it does not quite get us out of the woods, for two reasons. First, there will be an understandable tension over budgets between the regional commissioning bodies and the individual PCTs, and I have certainly seen PCT minutes that express anxiety about what the specialist commissioning groups might do. Secondly, specialist commissioning groups and PCTs might have different expectations of each other, as patients often access services that are

[Dr. John Pugh]

commissioned by both—physiotherapy is a prime example, particularly for patients with muscular dystrophy. We must admit that, even with regional commissioning groups on a specialist basis, they will not all follow the same pattern of commissioning and are not bound by an absolutely fixed list, although there are definitions on what counts as specialist commissioning.

The postcode lottery will not be absolutely abolished by the Government's proposals, but I support them and think that they will make significant progress. I am encouraged by the reports I hear from the north-west region, where the specialist commissioning organisation has a budget that is almost as big as that of the largest PCT and is making appreciable strides, not only in producing new facilities and arrangements, but in giving positive guidance with regard to therapies.

The issue of drugs is the most acute issue that has been raised today, particularly the orphan and ultra-orphan drugs. We ought not underestimate the fact that controlling the drug price is an important issue for PCTs in delivering value for money across the piece. I am familiar with the National Audit Office report on that, which pointed to wide disparities in the efficiency of PCTs in using their drugs budget. I would like to quote from Sophie Christie, the chief executive of Birmingham East and North PCT, whose views on that issue were included in the Library's debate pack. She puts it rather nicely, and certainly better than I could:

"The delegation of the rare and the expensive to the service provides a real test of our ability to commission collaboratively with a focus on outcome. Alternatively, we could just be the meat in the sandwich between the pharma-induced public outrage—"

a rather good expression—

"and political assessments that a few million here and there is nothing between friends."

Clearly, the procedure currently being followed is unsatisfactory. Hon. Members have mentioned the exceptional cases procedure, and the hon. Member for Bristol, North-West made absolutely clear that it was never intended to do the job. My hon. Friend the Member for Northavon (Steve Webb) made it absolutely clear that, as it is currently being conducted, it is a hopelessly confused process.

Even using guidance from the National Institute for Health and Clinical Excellence does not resolve the issue because it can always be argued that NICE has neither sufficient data on those rare conditions, nor the resources and time to test within a reasonable timescale. In any case, hon. Members have consistently been told by Ministers over the years that the absence of NICE approval is not a trump card for the PCT. It is a difficult and fraught area, and the specialist and exceptional nature of orphan drugs is probably the reason why there is special legislation from the EU and the USA on that subject. It is a profoundly difficult area for PCTs, which have to made a profoundly difficult judgment call. That is why the help of the specialist commissioning groups can be so important in producing the standardisation that hon. Members would like to see.

However, there is also a role for the charity and voluntary sector, which is often the prime advocate of better provision for people with all kinds of conditions, including rare ones. The sector needs to be forceful and fair: fair in its demands and expectation and forceful in advocating what is reasonable. Its role is so crucial to the piece, both in fighting battles on behalf of patients and educating the wider NHS. That applies not only to the most critical and life-threatening conditions, which have largely been dealt with in the debate, but to less-threatening conditions. I was recently approached by someone in my constituency who suffered from a disease called Fibromyalgia, which had to be explained to me. That person found that there was wholesale ignorance of the disease in all parts of the NHS, and many parts had been accessed about the condition. There was a real need for the voluntary sector to fill the vacuum in educating the professionals.

12.6 pm

Anne Milton (Guildford) (Con): It is a pleasure to serve under your chairmanship, Mr. Cummings, and I congratulate the hon. Member for Bristol, North-West (Dr. Naysmith) on securing the debate.

Although the hon. Member for Wyre Forest (Dr. Taylor) attempted to give a definition of a rare and complex disease by stating that a GP would see one example per year, there are a number of definitions. There is an official definition, but the prevalence criteria used in national commissioning is one per 50,000. Interestingly, that varies from the EU definition of fewer than five per 10,000. Many diseases with a prevalence of fewer than five per 10,000 do not require special arrangements for health services to be commissioned.

None the less, there are many thousands of different diseases, many of which are suffered by only a few hundred people in the UK, and even fewer than that in some instances. Collectively, however, the numbers can be much higher. For example, recent research shows that between 30 and 50 per cent. of all cancer cases could be classified as rare as they fall outside the more common and highly publicised cancers such as colon, breast, lung, prostrate and bowel cancer, which we hear about frequently in the press.

One prominent feature that I do not think has been highlighted strongly enough in the debate is that those suffering from rare and complex diseases often feel a tremendous sense of isolation—more so than if they were suffering from a more common disease. There might be few survivors and no available support networks, the GP might know little about the condition and it is often difficult to get accurate information about the prognosis or effective treatment. Of course, availability to much wider networks on the internet has made a significant impact on that problem, but many of those people do not necessarily have access to the internet and might not be comfortable joining support networks in that way. The isolation, the feeling of fear and the lack of information are significant factors.

I understand that there are currently around 8,000 identifiable rare diseases. As we have heard, it is clearly not practical to plan and purchase separately for each of those, and as a result, the UK's approach has been to provide those specialist services around groupings of expertise, and increasingly that is becoming the case. In fact, the provision of specialist services in specialist centres is certainly not an innovation. The hon. Member for Wyre Forest commented on the fact that the Minister and I, who are both in the hot seat today, both trained as nurses. I am sure that she will join me in noting that,

even 30 years ago when I was training, the newest surgical services were provided on a regional basis and in specialist centres. None the less, the aim of the arrangements is to purchase specialist services, ensure fair access to clinically effective services where patient numbers are small and a critical mass of patients is needed to achieve the best outcomes, maintain clinical confidence, sustain the training of specialist staff, ensure cost effectiveness in provision and made the best use of scarce resources.

The hon. Member for Bristol, North-West rightly commented that local decision making should not prejudice the situation of people with rare or complex conditions and raised the fact that there is considerable variation in the applications to PCTs for exceptional cases. There are wide variations in the review of those and in the clinical input of those review panels and the decisions made.

What is causing the increasing concern that we are seeing among the public and in the press are these huge variations and indeed the lack of fairness and transparency associated with them. We must have right of access extended to specialist services. It is very important that people have confidence and trust in a system that is making what could be life or death decisions about them.

The hon. Member for Bristol, North-West also said that the Department of Health and NICE should work together better. I find it extraordinarily frustrating, and I think that my frustration will be shared by many people, that NICE and the Department of Health do not work more effectively together. It staggers me that everybody wants this process speeded up, to be more efficient and to be more transparent, but the continuing frustration is that that improvement never seems to happen. I am sure that the Minister will address the issue of why it takes so long to get what feel like quite simple decisions or simple actions taken to make this process work more quickly and more effectively for the patients involved; the delay makes me very impatient.

The hon. Member for Northavon (Steve Webb) highlighted the issue affecting one of his constituents and, as ever, personal experiences and personal stories are particularly poignant. He also mentioned another source of frustration, that Pfizer was prepared to share the cost of the drug that his constituent required, but that offer was not taken into account by NICE. I and many other people would like to see a much more common-sense approach taken by NICE. The fact that Pfizer would share the cost of the drug is relevant and should have some impact on NICE's decision making.

I would like to congratulate the hon. Member for Norwich, North (Dr. Gibson) on his excellent work on the Rarer Cancers Forum. However, although he has clearly felt a wave of socialism around the place recently, I would suggest that nationalising the drug companies might see a halt in any progress that has been made in the innovation and research carried out by them, particularly in relation to PNH—I leave the full pronunciation of that condition to the hon. Member for Wyre Forest (Dr. Taylor).

Dr. Gibson: Try it.

Anne Milton: I could try it, but I do not want to take up any more of Members' time, so I will not.

The hon. Member for Wyre Forest rightly raised the issue of research, which had not been mentioned until that point. The hon. Member for Norwich, North talked about people with rare and complex conditions punching above their weight; I think that he is absolutely right that they do punch above their weight. Nevertheless, there are concerns about the lack of incentives within the system, not only for research but for diagnosis and treatment innovation.

The hon. Member for Norwich, North also talked about some obvious ways of saving money to pay for new and expensive treatments. I could feel a certain tension—an anticipation—as we heard from him that the way that he would finally solve the problem was through paying for some of these drugs, which I well appreciate is not easy.

I would also like to congratulate the hon. Member for Blaydon (Mr. Anderson) on his work on muscular dystrophy. It was very useful to have the example of one particular rare and complex condition. He also highlighted the fact that, even within the group of people who suffer from a rare disease such as muscular dystrophy, that rare disease can itself be further split up, into even rarer subsections of the same disease type. It is very sad that the experiences of people with muscular dystrophy have been poor, in terms of the diagnosis and treatment that they have received. He then widened the debate away from the issue of drugs, which was the focus at the start of the debate this morning, into the wider and important societal and care issues surrounding rare diseases.

I would like to finish by asking the Minister to address a few a few points, in particular the view that was expressed that PCTs are out of their depth; the issue about their decision making on exceptional panels, and the significant issues that surround some of the ignorance among those in general practice, even if that ignorance is not surprising given that these conditions so rarely emerge. Nevertheless, the issues of training, education and, just as importantly, continual professional development are important and it would be encouraging to hear from the Minister what she is doing to ensure that those issues are addressed.

It is also of note that since 1997 there has been an increase in mortality for those people with rarer cancers. Although that increase can be partially attributed to the lack of knowledge among physicians of the symptoms of rarer cancers and also the late presentation of such symptoms, it would be interesting to know what the Minister is doing about this issue and whether she has any ideas in the pipeline about how to reduce the mortality for those people with rarer cancers.

The next point that I would like to make is that there is a European directive to incentivise the investment in research and development in orphan medicines for rare and life-threatening diseases, which I understand has had some success. Since its adoption, 22 products have received a marketing authorisation. Overall, that is still a comparatively low number, but given the disproportionately low survival rates for rarer cancers, does the Minister agree that more needs to be done to incentivise drug research?

Rarer cancers often require treatment by drugs that have not yet been approved by NICE or rejected on cost, requiring patients to plead the exceptionality of their case, as we have heard on numerous occasions. I know that we have heard a few figures, but perhaps we

[Anne Milton]

have not heard so many this morning. I would like to give one other figure; 5,000 patients have been forced to demonstrate their exceptionality in the last 20 months, in order to receive cancer treatments that are not recommended by NICE. Of those 5,000 patients, 1,300 had their request rejected.

I think that it was the hon. Member for Northavon who said that what finally gets to people is this battling away against the system. Not only do they have to live with a rare disease and with the isolation that surrounds the fact that they have a rare illness—there is fear and lack of information—but they also have to do battle against a system that they do not entirely understand. In fairness to the Minister, I think that she would agree with me that that system is indeed not understood by her or by the Department of Health. The lack of fairness and transparency makes the situation even worse.

In the past, NICE has proposed an ultra-orphan drugs evaluation committee, to undertake an appraisal of medicine for very rare diseases. I understand that Ministers have received NICE's report on appraising ultra-orphan drugs and have concluded that it is not appropriate at this time to establish a separate appraisal system for such drugs. Perhaps the Minister could bring me up to date on that issue.

We have had a debate today on exceptional and rare conditions. Special cases require special treatment; exceptional medical conditions need exceptional treatment. I know that the Minister agrees with that view and has much sympathy with it. However, what we want to hear from her now is what action she will be taking.

12.18 pm

The Parliamentary Under-Secretary of State for Health (Ann Keen): Thank you, Mr. Cummings; it is a pleasure to be in attendance with you today.

I thank my hon. Friend the Member for Bristol, North-West (Dr. Naysmith) for securing this debate. He has particular knowledge and expertise in all House matters, but he has been consistent in holding a strong interest in the treatment and care of the wide range of patients who are unfortunate enough to suffer from a rare or complex medical condition.

My hon. Friend last raised this issue in the House in 2005, and he was kind enough to say that we have made strong progress in improving the overarching commissioning arrangements for specialised services, which I will mention in more detail shortly, and that patients are starting to see the benefits of those improvements. In fact, all hon. Members here today have congratulated us on that progress.

My hon. Friend made some important points in his speech and I will respond to his concerns as far as I am able to, given the time constraints that I now face. I commend the efforts of the Specialised Healthcare Alliance and its chairman, Baroness Pitkeathley, which has supported my hon. Friend in raising this debate The SHCA has actively engaged many of my predecessors and colleagues to advance the case for improvements in the treatment and care of those people with rare conditions, and it continues to promote these causes vigorously and determinedly, with the help of stakeholders and sponsors. It is right to do so.

I thank my hon. Friend for his kind words about the Carter review of arrangements for the commissioning of specialised services, which was introduced in April 2007. The arrangements, which have been in place for 18 months, are making significant progress in improving the quality of specialised commissioning at regional and supra-regional levels and, as a consequence, are improving access to specialised services for local people. Parts of the country, including the area in which my hon. Friend serves, which had hitherto been notably weak in their approach to commissioning specialised services, have improved rapidly as a result of the Carter reforms. From next year, we expect that more services than ever before will be commissioned by specialised commissioning groups through primary care trusts' pooled budgets. Additionally, the new arrangements allow the national health service to take collective and consistent action across the country to pursue areas of agreed priority. A good example is work now commencing in SCGs to plan for improved levels of renal transplantation, in response to the recently published report of the Organ Donation Taskforce.

Another example of the strengthened national approach that the national specialised commissioning group has delivered is provided in the agreement of all SCGs to adopt the unified commissioning approach in "Target Therapies for the Treatment of Pulmonary Arterial Hypertension in Adults". Adoption of a national policy by all SCGs will mean substantial increases in investment by some of them to raise standards to those of the best and to provide a level playing field for patients across England.

Our world-class commissioning programme is designed to raise ambitions for a new form of commissioning that has not yet been developed or implemented in a comprehensive way anywhere in the world. World-class commissioning is about delivering better health and well-being for the population, improving health outcomes and, of course, meeting the huge challenge of reducing health inequalities. As part of the programme, a commissioning assurance system has been launched this year. It is a national system to hold commissioners to account, to reward performance, and to ensure that health outcomes improve. As the hon. Member for Southport (Dr. Pugh) said, we are running a pilot with the north-west SCG to design a national scheme for holding commissioners of specialised services to account, and for encouraging better co-operation and co-ordination between PCTs and SCGs.

Hon. Members may be aware that the Government have actively supported the provision of high-quality treatment services for many rare conditions and complex procedures through the arrangements. Some 40 highly specialised services are currently commissioned nationally through the national commissioning group. I approved the national commissioning from April this year of a proton-beam therapy service for complex and difficult-to-treat patients with rare cancers, and of an islet cell transplantation service for diabetic patients who suffer recurrent episodes of hypoglycaemia.

The Minister of State, Department of Health, my right hon. Friend the Member for Bristol, South (Dawn Primarolo), who has responsibility for public health

matters, released a statement last week that confirmed approval for the national commissioning of a service for paroxysmal nocturnal haemoglobinuria—perhaps I should have said "PNH", as I obviously did not see those words coming. It will ensure a high-quality service for patients who would benefit most from high-cost drugs, which are estimated to cost some £25 million a year. The hon. Member for Wyre Forest (Dr. Taylor) raised that matter. I congratulate Dr. Peter Hillman, the professor who is leading the group in Leeds, and can say to the hon. Gentleman that, yes, the drug will be funded before the service commences in April. Dr. Hillman has been important in our making that decision.

Lord Darzi's final report, "High Quality Care for All", sets an important context that is as applicable to patients with rare or complex medical conditions as it is to patients with more common conditions. The report describes a health service that delivers fair, personalised, effective and safe care. Lord Darzi calls his final report an enabling document because it sets out more than 90 commitments from the Department of Health that will help the NHS to deliver high-quality health care that puts the patient at the centre of the organisation and meets the challenges of the 21st century. Its time is overdue. The time is right to bring quality into the NHS.

I am aware of colleagues inside and outside this Chamber who have discussed quality over the years. Since entering the House in 1997, my hon. Friend the Member for Norwich, North (Dr. Gibson) has chaired groups, in particular on cancer, and has described the way forward for the Rarer Cancers Forum. I have had the pleasure to be involved with him on that forum.

I was probably at the conference at which discussion of nationalising our pharmaceutical companies was doing the rounds, but the style of delivery of a speech at that time—things were put in a particular way—did not necessarily demonstrate the need for it. Of course, we are getting the huge co-operation from scientists and researchers that hon. Members have asked for today. I am sure that we all look forward to the return of the Human Fertilisation and Embryology Bill, when the House will be challenged by even more advancement of science. Nevertheless, it is necessary for us to deal with such matters.

The hon. Member for Northavon (Steve Webb) spoke about his constituent Mr. Derrick and the moving way in which Mr. Derrick's daughter put the case for a particular drug that the National Institute for Health and Clinical Excellence is reviewing. I hope the hon. Gentleman will accept that it is not possible for me to comment while the appraisal is taking place; however, I hope that this debate will be read in Northavon and that it will be helpful.

Steve Webb: Will the Minister give way?

Ann Keen: I have very limited time, but of course I will.

Steve Webb: I am grateful. Could the Minister discuss a matter for which she is responsible, and which the hon. Member for Bristol, North-West raised, which is the threshold that NICE uses for all of its appraisals? That is not an issue for my constituents specifically but for all our constituents. Could the Department look at raising the threshold to reflect increases in inflation since it was introduced?

Ann Keen: The consultation on the constitution is out. It includes some of the discussions that we have had today about NICE. I am sure that all Members are aware of the consultation and the effect that it will have. It is important that we as a House consider it.

My hon. Friend the Member for Blaydon (Mr. Anderson) mentioned a meeting in the Department with colleagues who brought constituents with muscular dystrophy. It was important that that meeting with officials was held at that time. My hon. Friend said that he has written to me. I can say to him before seeing the letter that I will meet with him, but also that I believe a review is necessary. Let me consider that in preparation for our meeting. The director of national specialised commissioning has been in discussion with the Muscular Dystrophy Campaign about its concerns, so some progress has already been made, but there is obviously more to do.

Specific points were raised by my hon. Friend the Member for Bristol, North-West about commissioning and the openness and transparency of PCTs. I believe that the constitution and the consultation on it will improve transparency. The differences that have been described today by hon. Members are not acceptable in a modern, national health service. We must address the points that were raised so powerfully in my hon. Friend's contribution. We must work with NICE, which is independent—its whole point is its independence—on the speed of delivery of what are obviously complex issues that are challenging to health clinicians, politicians and economists in the health field. I believe that every patient in the United Kingdom recognises that they have a national health service that is there to be a safeguard and to give treatment but also to do research. Bringing together the work of the NHS and the Medical Research Council will be only to the betterment of patients in the future, and future research and knowledge will be used effectively.

M3

12.30 pm

Mrs. Maria Miller (Basingstoke) (Con): Mr. Cummings, I thank you for your chairmanship of this debate, which is important for residents in my constituency and neighbouring constituencies. I thank the Minister for coming along today to respond to the debate. I welcome him to his new position and wish him every success in his role as a Minister.

The M3 motorway and network roads are at the heart of the reason why, over a number of decades, Basingstoke has become not just a great place to live, but a great place to run businesses. We have more than 60,000 jobs in the borough of Basingstoke and Deane, making it one of the top 10 centres for employment in the south-east. Many companies are located there because of our communication network, our highly skilled labour force and, importantly, because we have superb residential communities throughout north Hampshire.

We are proud to be home to many household name companies, including Macmillan books, Motorola, Sony, the Automobile Association, Game and Barclays: I could go on. The Prime Minister has recognised how important Basingstoke is and has recognised the opportunity it affords to the whole of the south-east of England and the role it could play in helping build the United Kingdom economy into the future. That is perhaps why it has been designated by Ministers as a business growth point, recognising the area's potential for sustainable economic growth. The South East England Development Agency has recognised the area as just one of eight diamonds for growth: it has been identified as such for its potential to drive economic growth both regionally and nationally.

On the housing side, the Government have set targets that mean that we are already building 1,000 houses a year in Basingstoke. I understand that they would like even more to be built in future, although I am not sure that market conditions or the residents will favour that demand.

The Government are right to identify the strengths of the community that I represent, but this can never be a one-way street. No area can accommodate the considerable scale of house building and business growth that is expected in my constituency without the necessary investment in local infrastructure and services. The motorway is the critical element driving the Government's focus on Basingstoke, both in terms of housing and business targets, yet local residents and local businesses who already use the motorway regularly, or live by it, are experiencing significant congestion and noise pollution. Noise pollution, particularly, has spiralled as a result of growth not just in Basingstoke and Deane, but throughout the south-east region.

Despite all those demands on my constituency, there are neither current not future plans, as I understand it, to address a mounting infrastructure gap for the M3. The raw facts, which I have gleaned through parliamentary questions, are as follows. Congestion between junctions 6 and 7 has increased by 5,000 vehicles a day over the past 10 years; there have been some slight changes to the signals at junction 6 to maximise traffic flow, but no increase of capacity over that part of the motorway. Junction 6 already operates in excess of capacity, with 100,000 vehicles using it every day. The most sobering fact of all is that accidents between junctions 5 and 8 have increased by a staggering 42 per cent. over the past 10 years, including a notable increase in fatalities.

Residents are also troubled by traffic noise, which has doubled in the past 20 years, leaving many more residents affected by that sort of noise pollution than was ever the case in the past. Yes, there are residents who live close to the motorway, but now such issues are affecting people far further away than previously, including in the villages of Mapledurwell and Up Nately in the east, areas around Hatch Warren and, in the constituency of my right hon. Friend the Member for North-West Hampshire (Sir George Young), Beggarwood and Dummer in the west.

I am concerned that things look set to become more of a concern for local residents and businesses. There is talk of yet more house building, but in the present conditions the Government's ambitions in that area may be more limited. There are plans by Southampton airport to double passenger numbers in the next 10 years, which will add further pressure on the motorway that passes through my constituency. All those plans amount to additional vehicles on the M3 and additional noise and congestion.

What does that mean for businesses and local residents in my constituency? The Government need to start listening when the chairman of one of the major employers in my constituency—indeed, in the UK—says that:

"congestion on the M3 in the vicinity of Basingstoke at peak times has reached a level at which it has a significant negative impact on local industry. Indeed, it is likely now to be an important factor in companies' decisions about locating or expanding operations in Basingstoke."

The Government need to listen carefully to such comments.

Basingstoke will not be the diamond for growth, or the growth point that the Government need it to be in these difficult economic times, if employers see the reason that they chose Basingstoke—its location and road networks—becoming a problem rather than an advantage in terms of location. I am sure that the Minister will make himself familiar with the congestion problems suffered by businesses in Reading and will know about some of the actions taken there.

For residents, Basingstoke's attractiveness is as a great place to live and work: 80 per cent. of my constituents live and work in the constituency. However, noise from the motorway has become a growing problem for many of them. As the number of vehicles, both commercial and domestic, grows, so the noise from the motorway grows and affects ever more communities. That direct cost of growth cannot be ignored, but I fear that that has been the position to date—the approach taken to mitigating its effects has been at best patchy. Some remedial work has been done in my constituency. On a nationwide basis, the Government set aside a limited pot to deal with remedial noise measures, primarily through the use of fencing. However, the limited use of such provision in my constituency is causing me a great deal of concern. There has also been a limited use of noise retardant material on the motorway surface, but there is a lack of clarity about how to move that forward to ensure the sort of noise-reduction measures that my residents would like to see.

Returning to sound barriers for a moment—I should like the Minister to pick up on this issue—they have been used on a limited basis to deflect noise away from

residents, but that usage appears somewhat haphazard and is not always co-ordinated, because it is dealt with by the Highways Agency, not the local authority. Some of the worst-affected communities in my constituency are those situated near a sound barrier, where sound has been deflected from one residential area into another. In my closing comments, I shall return to matters that the Minister might want to consider in that regard.

Villages in the east of my constituency are so badly affected by noise that the Highways Agency has acknowledged that, if their population density were greater, they would be eligible for Government support. However, because of the sparseness of those villages' populations, they receive no help at all. That method of allocating money is not an equitable and fair way of recognising an extreme problem for some of the communities in my constituency. Some might say that that discriminates against rural communities in areas such as Basingstoke.

Many already appreciate the great scale of the problem locally in Hampshire. The M3 Action campaign has presented a petition with 2,000 signatures calling for action to be taken to reduce noise and congestion on the M3. Hampshire county council has already identified that £300 million of improvements are needed to our roads in Basingstoke, and that £160 million is needed to improve reliability and safety on the M3.

Mr. Mark Oaten (Winchester) (LD): I entirely support the hon. Lady's comments. My constituency borders hers, and many of her comments about the M3 apply in Winchester.

Mrs. Miller: I thank the hon. Gentleman for his support for the campaign. The issue affects many of the constituencies through which the M3 runs.

Hampshire county council believes that it is critical to improve junction 6 if house building figures are to be sustainable in the county, and that was a key part of its submission on the south-east plan. The highways department clearly recognises the problem, but there is a lack of clarity as to how it fits into ministerial priorities for Hampshire. The council has made it clear that growth is conditional on the infrastructure being funded, with the M3 being pivotal. Without that investment, it is difficult to see how the Government's house building targets, and their plans for business development in my constituency, can be sustainable.

Will the Minister take the opportunity afforded by the debate to confirm that, as detailed in his Department's answer to my parliamentary question on 15 January 2007, by 2010 both carriageways of the M3 between junctions 5 and 6 will have noise retardant material in all lanes? Will he tell the House what consideration is being given to lowering speed limits, not just on the M3, but generally, as a way of reducing noise? I understand that cutting the speed limit to 50 mph could have a considerable impact on noise levels, as well as cutting accidents and congestion. The Minister will be aware that that technique is used on the M25.

Will the Minister undertake to consider how noise barriers, such as those that his Department commissioned in my constituency at the Hatch, can be better co-ordinated to ensure that noise is not just bounced around into neighbouring residential areas? Perhaps there should be an obligation on local authorities to ensure that sufficient noise protection is in place before new house building is allowed in the vicinity of established motorways such as the M3. Again, neighbouring residential areas have significant problems in that respect. Most importantly, will the Minister give an undertaking to identify how improvements to junction 6 of the M3 will be funded to cut accidents and rat running through neighbouring communities, where drivers try to find ways of avoiding the long tailbacks at peak times?

Basingstoke businesses and residents need to hear from the Government that they understand the problem and that action will be taken. They cannot be expected to take on the burden of Government-set targets for businesses and house building with no clear way of funding the necessary improvements to our motorway. We look forward to the Minister's response and to hearing firm proposals for his Department's plans to support Basingstoke residents and businesses. We need to hear what action will be taken, not just more kind words.

12.43 pm

Sir George Young (North-West Hampshire) (Con): I congratulate my hon. Friend and neighbour, the Member for Basingstoke (Mrs. Miller), on her choice of subject for this important debate this morning, and on the eloquent way in which she made the case for improvements in congestion and noise pollution on the M3. I want to follow briefly in her slipstream and to add a footnote to what she said. I pay tribute to her M3 action campaign and her presentation of a petition earlier this year. Everyone in Basingstoke and Deane borough is grateful for her campaign.

My constituents in Beggarwood suffer from exactly the same problems that my hon. Friend mentioned, but further east the villages of Dummer and North Waltham suffer from constant and growing background noise from the M3. As my hon. Friend said, it is now a much busier road than it was some 10 years ago, so the amount of noise that it generates is higher.

A footnote on congestion is that I was caught on the eastbound M3 on Friday evening and spent an hour in my hon. Friend's constituency, which I had not planned to do. The road's capacity is being tested, but the point that I want to leave with the Minister is that people want to know when. They understand the problems of departmental budgets and pressure on public expenditure, but they want some idea of when they might get some relief. Perhaps the Minister could share with us his and the Highways Agency's priorities, and when the sort of measures to which my hon. Friend referred might be introduced. It would help them to live with the problems that they currently endure if they had some knowledge that help was around the corner. Any information that the Minister can share with us would be appreciated. I welcome him on his appointment and his shortly-to-be-delivered maiden speech in his new capacity. I hope that what he has to say will be welcomed in and around the M3 corridor.

12.45 pm

The Parliamentary Under-Secretary of State for Transport (Paul Clark): I congratulate the hon. Member for Basingstoke (Mrs. Miller) on securing this debate, and providing us with the opportunity to discuss noise

[Paul Clark]

pollution and congestion on the M3. I know that it is a matter of concern, and the hon. Members for Winchester (Mr. Oaten) and for North-West Hampshire also contributed to the discussion. I am aware of the keen interest that the hon. Member for Basingstoke has shown with her M3 action campaign and the presentation of a 2,000-signature petition earlier this year. I hope that my response will clarify the route forward by dealing with some of the issues that we understand are of concern to the hon. Lady's constituents.

The M3 is part of the core motorway and strategic road network, providing a link from south-west London to Southampton. It is an important key road corridor for long and medium-distance traffic travelling between Southampton and London. I am delighted that the hon. Lady endorsed the Prime Minister's forward thinking and the importance of Basingstoke in the decisions that have been taken. It is an important part of the M3 route.

Protecting and enhancing the environment is an increasingly important role for the Highways Agency, and that includes mitigating the impact of traffic noise wherever practicable. The Highways Agency is committed to taking action by March 2011 on those sites listed in *Hansard* in November 1999—the *Hansard* list. Under the national £5 million ring-fenced annual budget, the Highways Agency has installed acoustic barriers at various locations on the M3 in the hon. Lady's constituency since 2001 on the basis of priority according to their noise severity rating at a total cost of approximately £8.5 million. They include Hatch Warren, Black Dam and Hatch caravan site.

The 2007 comprehensive spending review confirmed that resurfacing of concrete roads for noise mitigation reasons ahead of maintenance need would not be allocated funding. Traditional surfacing with hot-rolled asphalt uses high-quality stone rolled into the top layer, but quieter surfacing requires that higher quality stone throughout the full depth of the wearing course leading to an increased environmental impact at quarry sites. The hon. Lady will appreciate that there is environmental impact from that process.

I am sure that the hon. Lady is aware that the Highways Agency is working closely with the Department for Environment, Food and Rural Affairs on the production of noise maps and action plans in line with the Environmental Noise (England) Regulations 2006. The maps for England's roads were first published on 16 May 2008 and DEFRA is working with the Highways Agency and local authorities to develop traffic noise action plans. Those plans will be used to review the priorities and measures to provide noise mitigation solutions. Funding levels and responsibility for delivery, when required, have yet to be agreed.

The action plan is expected to identify practical and cost-effective solutions for reducing road noise. It will include a cost benefit analysis of measures to ensure they are sustainable and estimates of the reduction in the number of people affected by excessive noise as a result of the proposed measures. The Highways Agency is also developing a forward strategy for noise mitigation that will include implementation of a new system for identifying and prioritising problem sites. As I am sure the hon. Lady appreciates, it would be inappropriate for me to comment further on that until the work is complete and I have fully considered the region's advice.

As has been identified by right hon. and hon. Members, congestion generally occurs during morning peak times on the north-bound approach to the M25, south bound on the approach to the M27 at Southampton and at junction 6 at Basingstoke in both directions. We recognise that problem.

The Command Paper produced in July 2008 by the then Secretary of State, my right hon. Friend the Member for Bolton, West (Ruth Kelly), highlighted locations for potential funding for improvements to the strategic road network. As part of my right hon. Friend's proposals, she highlighted a number of techniques to get more out of the existing network, such as the dynamic use of hard shoulders to provide additional capacity. Following the Command Paper, two studies are now underway to investigate the feasibility of traffic using the hard shoulder during peak periods on two stretches of the M3 between junctions 2 to 4A, and junctions 9 to 14.

To allow maximum to access and egress from Basingstoke, the Highways Agency has programmed the traffic signals at junction 6 of the M3 to give priority to clear the queuing traffic exiting the motorway and to reduce the hazard of vehicles queuing on the main carriageway. As the hon. Lady said, that could make a significant difference. Delays into Basingstoke town centre on the A30 and A339 are due to the high volume of traffic on all approaches to the Black Dam roundabout, which links the local network with junction 6 of the M3.

I noticed that the hon. Lady talked about the sustainability of jobs, homes and housing. Equally, we need sustainability in terms of traffic and transport options for people going to and from work, home, schools and so on. That is why it is important that we work collectively on sustainable solutions and do not put all our eggs in one basket. Strategically, of course, although that transport corridor—the M3—is important to Basingstoke, there are other options, which I will come on to shortly.

A scheme to reduce the hazard of traffic queuing on the main carriageway is currently being worked on. The scheme will include extending the off-slip roads at junction 6 by using the hard shoulder. A study programmed for 2009-10 will model the wider road network around junction 6 and assess the impact of the growth point status of Basingstoke that was announced by the Department for Communities and Local Government in October 2006, as the hon. Lady noted. That study will include further options for improvement.

As I have said, there needs to be sustainable solutions that take all parties and all stakeholders into account, which is why the Highways Agency is working with all the local planning authorities along the M3 to reduce traffic demand in relation to future developments. Measures will concentrate on providing workable alternatives to car-based travel, principally by improving public transport and facilities for walking and cycling. I am well aware of the problems concerning the location of junction 6 and of coming off there and meeting the Black Dam roundabout, which I know has been phased to make the situation easier. Of course, there are substantial business and residential developments off that road, but I am well aware that Basingstoke station is close to that area. Therefore, when we talk about sustainability for housing or jobs, we must consider the multitude of options available. We have been working closely with local authorities to consider how we can take options forward.

Mrs. Miller: I hope, Mr. Cummings, you do not mind me mentioning something slightly tangential to this debate. The Minister raised the issue of the station and he may be aware that we were promised an additional station in Chineham. Am I to take it from his comments today that that proposal is firmly back on the table?

Paul Clark: What the hon. Lady can certainly take from my comments is that we look at all possible and affordable options. That is where we have to be. The programme on the various road surfacing and changes that are ahead, which I shall run through in response to her final points, obviously has to be subject to the funding available. The hon. Lady has said, and rightly so, that we have specifically identified a ring-fenced budget for some of the work. Equally, she will be aware that there are many demands on that budget from the length and breadth of the country.

On the three specific areas that the hon. Lady raised and in terms of looking for whisper quiet surfacing and so on, we are committed to a programme of working through priority areas and what finances permit. Further resurfacing work will take place between junctions 5 and 7 in 2008-10 and, funding permitting, further work on quieter surfacing is scheduled for between junctions 5 and 6 by April 2010.

On a co-ordinated approach to noise barriers, far more joint working is needed. Some £8.5 million has been put in by the Department for noise barriers along road sections that fall within the Basingstoke constituency. The hon. Lady will also be aware that others have been agreed with developers through the planning process and in co-ordination with themselves. I understand and hear clearly what she is saying about the potential knock-on affects in other areas. That is why there needs to be joint working across local authorities and planning agencies.

Finally, on the co-ordinated approach to junction 6, I have already indicated that work will take place on the off-slip roads and on ensuring that the hard shoulder can accommodate and make the access and egress from junction 6 into Basingstoke safer. Overall, in terms of flows, we must take all possible options into account and look at sustainable transport measures to meet the needs of what is obviously a thriving community in Basingstoke, where there are strong jobs and strong possibilities for further development. Together, we need to find a solution to making sure that the traffic of people to jobs and schools in the community continues to flow.

Mrs. Miller: Will the Minister undertake to meet a delegation of business representatives from Basingstoke, so that he can hear first hand some of the problems they are experiencing?

Paul Clark: I am more than happy to give an undertaking to listen to people who are at the sharp end—whether in relation to operating businesses or living and working in a community. I am more than happy to meet a delegation and directly listen to their concerns.

Sri Lanka

12.59 pm

Joan Ryan (Enfield, North) (Lab): I am pleased to welcome my hon. Friend the Minister to his new responsibilities; I wish him well in his post.

There is increasing recognition of the urgency of the humanitarian situation in Sri Lanka, so I am grateful for the opportunity to raise the subject at this crucial time. Concern about the situation is shared by hon. Members on both sides of the House, as the attendance at today's debate shows. It is also deeply felt among the large number of Sri Lankans who have settled in the UK. In London alone, there are more than 150,000 Sri Lankan Tamils, who since their arrival here have made and continue to make a distinguished contribution to our public life. Their concern about recent developments was made perfectly clear last Monday, when 6,000 of them marched on Parliament.

Those worries are increasingly finding an international voice. I note the recent comments by the European Commissioner for External Relations and by the UN Secretary-General, which clearly acknowledged the seriousness of the present situation. I also welcome the recent statement issued by my right hon. Friend Lord Malloch-Brown and by my hon. Friend the Member for Dewsbury (Mr. Malik), when he was an International Development Minister. That statement acknowledges the gravity of the situation. However, we need to say and do more.

The current humanitarian crisis must be understood in the context of two interrelated developments: first, the escalation of fighting, particularly since July, between Government forces and the Liberation Tigers of Tamil Eelam; and secondly the compulsory withdrawal of UN agencies and international non-governmental organisations, including all their staff, supplies and vehicles, from the northern Vanni region. That measure was issued on 8 September and came into force on 29 September.

Although this debate is on the humanitarian situation in Sri Lanka, my remarks will focus on the Vanni region. That does not mean that suffering in Sri Lanka is confined to the Tamil-speaking areas. Like all hon. Members, I read with horror the news of two suicide bombings in Sri Lanka last week in which 30 innocent civilians lost their lives. I am sure that all hon. Members present will join me in condemning the slaughter of innocent civilians wherever and whenever that takes place. None the less, it is fair to say that the costs of war are concentrated in the Tamil-speaking areas of the north.

Barry Gardiner (Brent, North) (Lab): My right hon. Friend will be aware that until December of last year, about 70 lorries a day of humanitarian aid were going into the north and north-east; in September of this year, that figure fell to zero. Does that not precisely represent the scale of the humanitarian crisis now faced by the displaced people in the north and east of Sri Lanka?

Joan Ryan: My hon. Friend makes a very valid point. I will make some comments relating to his remarks and I hope that the Minister will do the same.

[Joan Ryan]

The conflict in Sri Lanka has been as protracted as it is bloody. In a civil war that has spanned more than 25 years, as many as 200,000 lives have been lost. There is, however, reason to believe that the current spate of violence between Government forces and the LTTE in the north, particularly since July 2008, is worse than the conflict that preceded the 2002 ceasefire, and that the Government military campaign has become more brutal and indiscriminate. With that escalation in violence has come a deterioration in the humanitarian situation. I am talking about more than 4,000 people killed since 2006, tens of thousands injured and more than 220,000 displaced. I use the word "displaced" hesitatingly, because for me it does not really capture the seriousness of the situation. It seems to imply a minor and perhaps temporary inconvenience when it really means people being forced to leave their home and all their worldly possessions and abandon their livelihood and then finding themselves lacking adequate shelter, sanitation, clean drinking water and food to feed their children. For some 10,000 families, displacement means living in the open air, living under the trees.

Mr. Lee Scott (Ilford, North) (Con): Does the right hon. Lady agree that included in the 250,000 innocent Tamil civilians are 40,000 children who are suffering now, and that the time has come for NGOs to be allowed back in to deal with humanitarian problems?

Joan Ryan: The hon. Gentleman makes a strong point, and I agree with him.

At the same time as the humanitarian situation has worsened, the agencies and bodies that were previously giving people food, offering medical treatment and providing families with things such as mosquito nets, bed linen and sleeping mats have been forced to leave. More and more people have come to rely on international agencies and NGOs to meet their most basic needs, and the compulsory withdrawal of UN and humanitarian agencies denies them that lifeline.

Keith Vaz (Leicester, East) (Lab): I congratulate my right hon. Friend on securing the debate. The situation is a catastrophe now. Only today, the Pearaa'ru bridge was blown up by the Sri Lankan Government. That was the one route whereby humanitarian aid was being taken into Vanni. Is it not time for the British Government to act, either by themselves or in co-ordination with the European Union, to tell the Sri Lankan Government that they must stop the bombing of innocent Tamils?

Joan Ryan: I hope that that is exactly the point that will be most clearly heard by the Minister in today's debate.

I shall return to focusing on health care, particularly in relation to what my right hon. Friend has just mentioned. The conflict has not yet precipitated a large-scale epidemic, but with the start of the monsoon season, that remains a real threat, particularly if the violence is prolonged or conditions deteriorate further. Given what my right hon. Friend has said, we can expect that to be the case.

Against the backdrop of endemic shortages in medical supplies and staff, and with local facilities in the Vanni region already overstretched and struggling to cope with the burden of war casualties, the role of international aid agencies in the provision of medical treatment becomes even more important. Forcing them to withdraw leaves the Tamils in the precarious position of facing increasing demand for medical treatment and falling capacity to meet that need. Only two weeks ago, Médecins sans Frontières was forced to withdraw from Kilinochchi, despite the fact that there are only 17 qualified doctors working in the whole of the Vanni region.

As with medical services, so too with food supplies. I know that, at the end of September, the British Tamils Forum took up that issue with my hon. Friend the Member for Dewsbury, in his previous capacity as an International Development Minister. Forced to leave their homes and jobs, thousands are now unable to earn a living. That, coupled with rising food prices—they have risen by 50 per cent. this year alone—and a shortfall in the domestic supply of rice, which is the staple food of islanders, means that the Tamils face a severe food shortage and the prospect of malnutrition and even starvation, without even the assistance of international aid agencies, on which they could previously rely for food.

If the situation in the Vanni region is almost unremittingly bleak, so too are its future prospects. Figures that I have obtained from Save the Children indicate that more than 30,000 schoolchildren from 154 schools have been displaced and denied any prospect of an education or a future. They have been denied access to schooling and care that was previously provided by international aid agencies, and I fear that another generation will grow up knowing nothing but the grim reality of war.

It is also clear that the time to act is now, before the crisis descends into catastrophe, although given what we have heard today, we are now on the brink of that catastrophe.

Mr. Edward Davey (Kingston and Surbiton) (LD): I congratulate the right hon. Lady on securing the debate and on her speech. Although we are seeing a catastrophe unfold and we need urgent action both from the British Government and the international community in putting pressure on the Sri Lankan Government, this is a story that many of us have watched unfolding for several years now, with the Sri Lankan Government's unwillingness to allow human rights groups to monitor the undermining of human rights in the Tamil communities and Tamil area of the island. Does the right hon. Lady agree that it is time that the British Government take a much stronger line against the Colombo Government on their failure to allow even human rights monitoring of the conflict in the north and east of the island?

Joan Ryan: We are here today to urge the British Government to say and do more. That is undoubtedly the truth, but I also think that the British Government have raised their voice on these matters and it is incumbent on all parties in the House to do that together. It is clear that we are on the brink of catastrophe. That is why the timing of the debate is very important. If the international aid agencies cannot do so, who will ensure that the Tamils have somewhere to sleep, something to eat, access to health services and some security? I fear that it will not be the Government of Sri Lanka, as the hon. Gentleman points out.

I am grateful to the high commissioner for providing me with an accurate and up-to-date briefing on the situation. I was pleased to note his acknowledgement that the conflict cannot be solved through military means. He also reaffirmed his full commitment to finding a lasting political solution. I know that hon. Members endorse that position as being eminently sensible, and that point has been made time and again in previous debates.

None the less, it seems to me that the Sri Lankan Government's priority is not to address the humanitarian situation or to work to restore the ceasefire but, on the back of the their military successes in the east, to achieve a decisive military victory in the north. Forced withdrawal can be understood only in the broader context of what Amnesty International, Human Rights Watch and International Crisis Group have described as "a quite deliberate and sustained government campaign to vilify and intimidate international agencies and their staff".

That the press is not free in Sri Lanka is well known. Dissenting voices are frequently subject to harassment, physical attacks and even assassination. Less well known is the fact that international aid agencies are subject to similar pressures. In preparing for today's debate, I spoke with a number of aid agency representatives, and I was shocked but not surprised by their reluctance to speak out publicly on the situation in the north, in part for fear of Government reprisals. However, in addition to their vital humanitarian functions, the agencies act as the eyes of the world. In August alone, some 1,750 people in the Vanni contacted the International Committee of the Red Cross to make allegations of human rights abuses.

Provoked by suicide bombs, freed from the constraining gaze of the international community and emboldened by their apparent successes in the east, I fear that the Government of Sri Lanka may have deceived themselves into believing that they can press home their advantage with a decisive military victory in the north, and thereby achieve a permanent solution. However, there can be no military solution. Until the underlying political grievances are addressed, some form of violent resistance is almost certain. The Government of Sri Lanka cannot indefinitely control and pacify the Tamil areas in the north.

The only long-term solution will be a political one, achieved through inclusive political negotiations that satisfy the legitimate aspirations of all communities in Sri Lanka. In short, it means genuine devolution to the Tamil-speaking areas in the north and the east. Genuine negotiations can begin only when a ceasefire has been established, so restoration of the ceasefire must be an urgent priority for the Government of Sri Lanka.

Stephen Pound (Ealing, North) (Lab): I am grateful to my right hon. Friend for giving way. I feel guilty at interrupting her flow. We are listening to her with great admiration and sympathy.

On 30 September, my hon. Friend the Member for Dewsbury (Mr. Malik), then a Minister in the Department for International Development, had a meeting with members of the Tamil forum about the crisis in Kilinochchi. The Government said that they wished to send aid, including the vital snake bite serum, directly to that area. If that cannot be provided through NGOs, it must be provided through local Tamil organisations. Does my right hon. Friend believe that that is the way to proceed?

Joan Ryan: My hon. Friend makes an important point. I hope that the Minister will soon be able to shed some light on the matter.

I have no doubt that the previous ceasefire was inconsistent, imperfect and ultimately flawed, but it was a basis for progress. Under that ceasefire, proposals were made for proper devolution and an autonomous Tamil province. Only under a ceasefire can meaningful negotiations proceed and a solution be found. However, although such a prospect is obviously urgent it seems more distant than ever. Meanwhile, suffering in the Vanni region continues unabated. Any approach must therefore be twofold. On one hand, urgent action must be taken to tackle the immediate humanitarian situation. In my view, that must include the Government allowing access for aid organisations and ensuring that aid reaches those who need it. On the other, the Government of Sri Lanka, being the party that formally withdrew from the agreement, must make a genuine and sustained effort to re-establish a ceasefire, stem the increase in violence, and return to talks about peace.

In this, on the 60th anniversary of the independence of Ceylon from the United Kingdom, the case for a just settlement in Sri Lanka seems more urgent than ever, and the peace dividends more appealing than ever—a peace not for the Tamils, nor for the Sinhalese, but for Sri Lanka.

1.15 pm

The Parliamentary Under-Secretary of State for International Development (Mr. Michael Foster): I thank my right hon. Friend the Member for Enfield, North (Joan Ryan) for her kind words on my debut. I congratulate her on securing this timely debate, and I applaud her long-standing interest in the subject.

Since Labour came to power in 1997, there has been a marked change in the United Kingdom's commitment to international development. We have taken the lead in international efforts to tackle global poverty, driven by our desire to see social justice and equality on a global scale. Since the Department for International Development was created in 1997, it has become a world-renowned development agency and a key actor in the global system. By 2010, the Government will have trebled the aid budget in real terms since 1997 and put the UK on course to deliver the United Nations gold standard by spending 0.7 per cent. of gross national income on aid by 2013, which is two years ahead of the European target.

Throughout today's debate, concerns have been expressed about the conflict in Sri Lanka and its impact on the civilian population. Although the world is understandably focused on the global financial situation, we cannot ignore the plight of the most vulnerable. There is a real risk that efforts to eradicate global poverty will be undermined by global financial and commodity price crises, threatening progress made on meeting the UN's millennium development goals that aim to make poverty history. It is essential that we keep up our efforts.

The Government share the grave concern about the prospects for peace in Sri Lanka, the humanitarian situation there, the decline in respect for human rights and the impact that the conflict is having on Sri Lanka's development, including slowing the recovery from the tsunami of December 2004.

Siobhain McDonagh (Mitcham and Morden) (Lab): I congratulate my hon. Friend the Minister on his new job, and I apologise for not being here at the start of the debate. I had to find another room for those who cannot get into the Public Gallery, which shows the strength of feeling of the mainly Tamil community represented in all our constituencies.

Many of those who come to my advice surgery are concerned about relatives or friends being injured while in Sri Lanka. Many are concerned that that will happen through the use of weapons sold by our Government or one of our allies. I would be grateful if the Minister and his colleagues in the Ministry of Defence did everything possible to ensure that that was not the case.

Mr. Foster: I thank my hon. Friend for that contribution. She will, of course, be aware that any arms sales from the UK are subject to export licences and the rigorous tests that is applied as a result.

Although the Government of Sri Lanka have the responsibility of defending themselves against terrorism, they also have the challenge of delivering a political settlement that will meet the legitimate aspirations of Sri Lanka's different ethnic groups. Unfortunately, that is still a long way off.

Barry Gardiner: I add my congratulations to those of other hon. Members. I am delighted to see my hon. Friend in his place today. Will he take the opportunity to condemn the remarks of Lieutenant-General Fonseka, who was recently reported as saying that he strongly believes that

"this country belongs to the Sinhalese."

He said:

"We being the majority in the country, 75 per cent., we will never give in and we have the right to protect this country."

Is not that exactly the sort of remark that feeds the problem, and does it not show the intransigence of the Sinhalese Government?

Mr. Foster: We have made it clear that we do not believe that there is a military solution to the conflict, and that a sustainable solution to Sri Lanka's conflict can emerge only from a just political settlement that involves all the communities there.

The total number of internally displaced persons in Sri Lanka is estimated at 500,000. The worst off are the approximately 220,000 people who have repeatedly been displaced by the conflict in the north over the past year, including at least 30,000 who have been displaced an average of five times. Those desperate people fear both sides in the conflict and have barely enough food to survive on. As we have heard, they are made more vulnerable and less able to cope each time they are driven out of their homes.

All UN agencies and NGOs left the area last month after the Government requested their withdrawal, stating that their security could no longer be guaranteed. The International Committee of the Red Cross and the Red Crescent remain in the area and are critical to the protection of the population. We welcome the stated commitment of the Government of Sri Lanka to allow humanitarian access and regular convoys of essential supplies to the north, and acknowledge the value of the continued international presence of the ICRC in the Vanni region. We are urging the Government of Sri Lanka to facilitate the work of other impartial humanitarian actors to enable them to deal with the growing crisis.

Andrew George (St. Ives) (LD): Will the Minister give way?

Mr. Foster: I should like to make a little bit more progress.

The UK monitors the situation in Sri Lanka constantly and has increased its humanitarian aid in the light of circumstances on the ground. We provided more than £532,000 for conflict-related activities in 2006, an additional £1 million in 2007, and £250,000 in January this year. Only a few weeks ago, we sent a humanitarian expert to assess the situation and to see what further help is needed. On the basis of his findings in Vavuniya and Jaffna, I am pleased to announce that DFID is providing an additional £2.5 million to support the efforts of the ICRC and other UN agencies and NGOs. Part of that funding will go to the north and part to the ICRC and UN High Commissioner for Refugees to support their work in other conflict-affected areas of Sri Lanka, including the Jaffna peninsular and the east of the country.

To tackle the urgent risk of starvation, last month we lobbied for an emergency delivery of UN food aid. On 2 October, a UN humanitarian convoy of 51 trucks successfully delivered food rations to northern Sri Lanka. The food will provide emergency rations for an estimated 230,000 people. With the rainy season upon us, as has been said, the demand for humanitarian aid will grow markedly.

Andrew George: I went to Sri Lanka in early April and was privileged to visit the north of the country. When the President came to this country in June, I had the opportunity to ask him about the role of Sri Lankan and international NGOs and human rights monitors. His attitude worries me. He believes that the majority of Sri Lanka-based NGOs are in fact fronts for the Tamil Tigers, and that international NGOs and human rights monitors are involved in gun running for them. If that is the attitude of the Sri Lankan Government, does the Minister agree that the international community needs to be a great deal more forthright to ensure proper monitoring and humanitarian relief?

Mr. Foster: I am coming to that very point right now.

The Government welcome the commitment of the Government of Sri Lanka to protect civilian populations and have continued to lobby for all parties in the conflict to respect their obligations under international humanitarian law. Those include the protection of the civilian population and humanitarian workers, the preservation of humanitarian space, and ensuring free and unfettered access to all affected areas by neutral, impartial humanitarian actors. Unless those basic requirements are met, funding will not ease the plight of IDPs and other vulnerable residents.

Barry Gardiner: Will the Minister give way?

Mr. Foster: No. I should like to make a little more progress and my hon. Friend has already had one bite of the cherry.

The Government are doing all we can to help to build the foundations for a lasting peace in difficult circumstances. We have created an innovative political and development

section in the high commission in Colombo, which works in tandem with the defence section to promote peace building in Sri Lanka, using funds from the UK's conflict prevention pool. Funding from the CPP for projects in 2008-09 will be some £2 million.

The impact of the conflict builds on the suffering of a nation that is still recovering from the impact of the tsunami four years ago, which killed 35,000 people and displaced more than 500,000. Some good progress has been made on post-tsunami reconstruction.

Keith Vaz: Before the Minister talks about the tsunami, a simple message could be sent to the Sri Lankan Government. We are giving aid because they have displaced all those people, and the simple message from the British Government should be, "Stop the bombing of the innocent Tamils." Why are we not sending that message to the Sri Lankan Government?

Mr. Foster: I pointed to post-tsunami reconstruction as an example of the conflict harming the Sri Lankan people whom my right hon. Friend wants to help.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): Will the Minister give way?

Mr. Foster: I should like to make some more progress.

Post-tsunami, approximately 75 per cent. of people have regained livelihoods, and progress is being made on improved education and health facilities. According to Sri Lankan Government figures, about 98 per cent. of the permanent housing requirement in the south has been fulfilled, although in the east there are still significant shortfalls, and the conflict is further threatening the situation.

As the intensity of the fighting has risen, the space in which humanitarian agencies can operate has been constricted. Both the Government and the Liberation Tigers of Tamil Eelam must ensure that humanitarian agencies may have full access to civilians in need of support and respect their neutrality.

Much has been said about human rights. In areas under LTTE control, there is no tolerance for dissent or freedom of expression. The LTTE needs to develop its role as a credible partner for peace. It cannot continue to persecute people simply because they have opposing views. Similarly, in the south, there have been restrictions on the freedom of expression, with journalists and newspaper distribution agents intimidated and sometimes killed. Three democratically elected MPs have been killed in the past few years, and many ordinary people have been reported as disappeared or have simply been killed.

The EU notes with concern the trend in attacks and threats on journalists, civil society organisations and lawyers. As far back as 2006, Louise Arbour, the UN High Commissioner for Human Rights, was sufficiently concerned to call on the international community to monitor the unfolding human rights situation, suggesting that the events were not simply ceasefire violations, but grave breaches of international human rights and humanitarian law. That situation remains.

Several hon. Members *rose—*

Mr. Foster: I am limited for time and would like to say more.

I am sure that the House agrees that one of the most abhorrent human rights abuses is the continued recruitment of children to fight. We urge all organisations that undertake that practice to stop, and we will continue to work with the Government of Sri Lanka and UNICEF to protect children from forced recruitment and other human rights abuses.

Mr. Llwyd: Is it not high time that the matter was discussed at the UN, at the highest possible level? Cataloguing the disasters is not taking us further. The Government are working on the issue, but it would be far better to go straight to the UN to have the matter thrashed out internationally.

Mr. Foster: I shall reflect on the implications of the hon. Gentleman's point.

There is an urgent need to deal with the current crisis, but we also need to consider the future. Even if the hundreds of thousands affected by conflict survive and return to their homes, they would face a long struggle to regain their lives and livelihoods after not months, but decades, of conflict. In Sri Lanka, violent conflict has denied people their rights to live without fear, to health and education and to economic opportunity—it has denied them a future. Parts of Sri Lanka, particularly the capital, benefit from strong development, but inequalities elsewhere are rising.

Joan Ryan: Will the Minister give way?

Mr. Foster: I am running out of time.

In conclusion, the situation in Sri Lanka is grave, but we stand ready to support the Sri Lankan people in building a long term, sustainable and equitable peace. That is the most effective way to fight poverty and to ensure that the country and its people meet their development goals. Sri Lanka has been a country of huge but unfulfilled potential for far too long. Our greatest wish for Sri Lanka is that it finds a peaceful solution to the conflict. Despite the current fighting, opportunities for peace can still be grasped, and we will continue to search for that peace.

I should point out—

John Cummings (in the Chair): Order. Time is up, but the Minister who is replying to the next debate is not here.

Joan Ryan: May I speak?

John Cummings (in the Chair): No, this debate is over.

Animal Testing

1.30 pm

Mr. Oliver Letwin (West Dorset) (Con): It is a pity that a Minister is not here at the moment, but I am sure that one will turn up.

I did not seek this debate because there is an immediate need to make decisions about the testing of cosmetics on animals. A set of decisions has already been made, and I am delighted that we are now moving away from the testing of cosmetics on animals. I raise this topic because I want to point out some of the conclusions that flow from that fact and to highlight some of the philosophical issues that need to be debated as we move forward over the coming years because they have been too little debated and discussed.

It is evident that there is no obvious set of dividing lines. In this area, we are dealing with things that are continuums of one kind or another. To illustrate, let me start with the supposed distinction between cosmetics and household goods. Clearly, a distinction can be drawn between life-saving drugs at one end of the spectrum and cosmetics at the other. I wonder whether one really can draw meaningful distinctions between cosmetics and household cleaning items. Moreover, it is not clear exactly where the distinctions come as we move along the spectrum. We know when we are at a point of dealing with a life-saving drug. We also know when we are at a point of dealing with something frivolous such as a cosmetic. As we move between the two, however, we encounter severe difficulties of definition and identification. That is not unusual. Philosophers call it the sorites paradox. For example, when is a pile a pile? One stone probably does not amount to a pile, but 50 certainly do. However, where does one hit the pile? Is it at two, three or four? That is a feature of one of the most difficult issues that we face as human beings.

It is not just the continuum between different kinds of things for which animals might be used in experimentation. It is also a question of the continuum of different kinds of animals. I do not mean to disrespect hon. Members or anyone else, but we are all animals. We are a particular kind of animal known as a human being. Partly because we care about our own species, partly because of the extraordinary effects that any other attitude would have on our society and our preference for democracy and liberalism and so on, and partly because of an internal revulsion, we would hugely object to anybody who sought to conduct an experiment on a human being—to experiment on an unwilling human being in a way that was painful—even if the purpose of the experiment was to produce a life-saving drug that might save millions of lives.

From time to time, some people are inclined to argue that the right position ethically is always one that produces the greatest happiness for the greatest number. One of the reasons that I am not a supporter of that view about ethics is precisely that I am revolted by the idea of an in vivo experiment on a human being, even if someone could persuade me that the result would save millions of lives. On the assumption that we take that view—I think that we are entirely joined in taking that view—one has to start asking where the dividing lines are as one moves down the chain from human beings to ants and mosquitoes. I have ho hesitation about how we treat ants and mosquitoes—perhaps I should, but I do not—but there are people who are concerned about ants and mosquitoes. I am enormously concerned about human beings. Where do I start drawing lines?

At the moment, the line is drawn broadly between the great apes and the other primates. I know that lines have to be drawn, and that no lines are perfect. For the life of me, I cannot see how one can rationally defend the proposition that there is such a great difference between great apes and the other primates as to make sense of a law—the current law—which prohibits experimentation on the one and allows it on the other. I do not say that it is easy, or that as one concerns oneself with the consequences of recognising that degree of incoherence in the current law, one will suddenly come across the great truth about where the dividing lines should be. That is why I said at the beginning that I see this not as a debate leading to some immediate conclusion, but rather as the beginning of a very long process—or intervention in what is already a very long process—of debate and discussion, which I thinks needs to be much more general and much deeper.

Therefore, we face difficulties of definition, both in respect of the application of such controls across the range of things for which the experiments are intended and a debate about the dividing lines between those beings that may legitimately be used for such experiments and those that may not. In neither case do we have good and clear criteria for making robust and coherent distinctions. That is not because our Ministers, officials, political establishment as a whole, thinkers and scientists are collectively deficient, and if they were a little cleverer such things would be resolved. That is not the case. These are genuinely difficult matters. We will not come quickly to obvious and robust dividing lines.

That leaves us with the practical question of what we do in the knowledge that the current construction of the law is not easy to defend on a coherent or rational basis, that there are potentially great advances to be made in things that matter desperately, such as advancing the cause of science to relieve disease, and that we do not have a clear intellectual apparatus for making robust and coherent decisions in this area. As a society, we ought to press forward and explore some practical steps while we continue—it may be a long time—to try to sort out such extraordinarily difficult issues and to arrive at more robust and coherent arrangements.

The first thing that is evident is that we will not be able to have a prolonged, careful and rational debate unless there is more transparency about such matters. I draw an analogy between this area and the efforts that many have made to investigate the efficiency with which the Ministry of Defence spends its money. I do not make that as a partisan point; the issue has been ongoing in British politics for as long as I can remember. Every time one asks a question of the Ministry of Defence, one is told that the answer cannot be given because it is a matter of national security. Some of the time, that is undoubtedly true. Some of the time, however, it is not entirely true. But it is a useful device for those sitting in a place that does some things brilliantly and others not so efficiently for avoiding transparency about the things that are not so efficient.

In a somewhat similar way, because of the activities of some entirely reprehensible individuals whose main motivation, I fear, is hatred of human beings rather than love of animals, and because those activities have

involved violence, and because there are entirely innocent, law-abiding and in many cases talented and deeply devoted scientists at work whose lives, livelihoods and families are under threat—which prompts the analogy with national security—there has been a tendency to clam up about what is going on in the domain of animal testing. Some of that tendency is justified. Clearly, we must not enter terrain in which there is transparency about the names and addresses of individuals who do things that might lead them to be attacked. I do not recommend any such thing. Proper safeguards must be observed. On the other hand, as in my analogy involving the Ministry of Defence, such genuine anxiety should not be used as the basis for refusal to reveal the details of what is going on in a way that creates confidence that there is transparency about the nature of the actions being taken and their effects on the animals concerned.

Kerry McCarthy (Bristol, East) (Lab): I am listening to the right hon. Gentleman with great interest. On a point of clarification, he is expounding on the philosophical issues that should be discussed in terms of where we should draw the line, how many experiments should happen and to what extent they are necessary. Does he agree that we should not be considering what experiments on animals are necessary for cosmetics testing, because there is no need for any to be carried out?

Mr. Letwin: I am sorry. I explained at the beginning—before the Minister arrived, and while it was rather noisy—that I did not seek this debate to discuss whether cosmetics testing should take place on animals, as it has already been decided, in my view rightly, that it should not. I chose the topic precisely because, as it happens, it has already been decided. I wanted to make the point that this debate is not—although most debates, quite rightly, are—about an immediate, practical policy issue. I am trying to raise a wider issue, so I chose a topic on which the decision has been made. I am reflecting on the consequences and reverberations of that decision. I agree entirely with the hon. Lady on that point, and, thank goodness, so will the law in due course. We are rightly heading towards the abolition of cosmetics testing.

Transparency is a vital component of a rational debate, but a second issue merits much more attention in light of the fact that we do not know exactly how to think about such matters or where to draw the line, yet we know that some experimentation is necessary. That issue is the question of alternatives. It is characteristically the truth that a good thing to do when we face an extraordinarily difficult issue that we do not know collectively how to resolve is to look for a way of not having to resolve it. It is not intellectually noble, but it might achieve the practical result that we all seek. I think that this is such an issue.

I am not a scientist, and I do not pretend to know what the alternatives will be or how fruitful they will prove, but I do know some important facts, which the Minister will know much better than I, about the quantities of money involved. I also know a general rule: scientists are incredibly clever, and if they are given a lot of money to do something, quite a lot of them will do it sooner or later, but if they are not given much money, it is jolly lucky if they come up with something.

A lot of money is being spent on animal experimentation at the moment, but not much is being spent on finding alternatives. It does not take a rocket scientist to guess that in those circumstances more experimentation will occur than if that balance were shifted. Given that we do not have a robust way to understand which kinds of experiment on which animals are ethically reasonable, it seems entirely fair to demand that a higher proportion of what is spent on testing should be spent instead on developing alternatives.

It is obviously a delicate matter of balance, and there is much discussion to be had about how any such thing could be arranged. I certainly do not want to clutter my remarks with amateur attempts to design specifics—the Minister or our own Front Benchers will be able to consider that—but it is important that we start the endeavour in earnest. Until and unless that balance alters, I suspect that enough alternatives to make a difference will not be developed. Much more transparency and many more alternatives would allow the debate to proceed constructively despite the huge intellectual and ethical difficulties involved. I also suspect that in the meantime, fewer animals would be subjected to fewer experiments, because there would be more alternatives and more awareness of the facts of the case due to transparency.

1.45 pm

Vice-Chamberlain of Her Majesty's Household (Claire Ward): I congratulate the right hon. Member for West Dorset (Mr. Letwin) on securing this debate on an issue whose importance is reflected in our postbags as constituency MPs. We are a country of animal lovers, and we are concerned about unnecessary testing on animals.

There is a clear distinction between legislation on cosmetics and legislation on other things such as medical devices or household cleaning products, and the Home Office licence is very clear about what tests may be carried out under which legislative regimes. The right hon. Gentleman raised an interesting issue about how we should take the debate onwards in respect of testing in general on animals.

Perhaps it would be helpful if I clarified the situation regarding the testing of cosmetics on animals. Under the Animals (Scientific Procedures) Act 1986, the Home Office is responsible for licensing test houses that carry out testing on animals for any purpose. The terms and conditions of licensing indicate that a licence will be issued only if there is no alternative to animal tests, if the generation of new data is justified, if the protocols proposed cannot be further refined and if the protocols will be likely to produce data meeting the specific objective.

In 1997, following discussions between the test houses and cosmetic product and ingredient manufacturers, it was agreed that existing licences would be withdrawn and no new licences would be issued for animal testing of finished cosmetic products, ingredients or combinations of ingredients. In effect, no testing of cosmetics on animals has taken place in the UK for the last 11 years.

The seventh amendment to the cosmetics directive, the requirements of which are contained in the Cosmetic Products (Safety) Regulations 2008, takes what the UK and some other member states had in place and extends it to the whole of the European Union. The seventh amendment has several elements. First, it imposes a ban on the testing of finished cosmetic products and cosmetic ingredients on animals from 11 March 2005. Secondly,

[Claire Ward]

it introduces a provisional ban on the marketing of cosmetic products that have been tested on animals or contain ingredients that have been tested on animals using a method other than an alternative method where such a method has been validated and adopted at Community level. In other words, if an approved alternative method exists, testing on animals is unlawful. Thirdly, the amendment introduces a longstop ban that will prohibit the marketing of cosmetic products tested on animals from 2009 for the vast majority of animal tests and from 2013 for the remaining three tests, toxicity, reproductive toxicity and toxicokinetics, for which development of alternatives, as the right hon. Gentleman highlighted, is much more complex. The longstop ban will come into force irrespective of whether alternative methods have been developed.

That means, in effect, that no animal testing of cosmetics can take place in the UK or other EU member states and that, in a phased transition starting next year and culminating in 2013, the marketing of cosmetic products tested on animals will be prohibited. The marketing ban will include not only products from within the EU but cosmetic products manufactured outside of the EU that have been subject to animal testing. That is of particular importance, because there are still countries, such as Japan and the United States, where animal testing of cosmetic products is an important part of product safety assessment.

It might be useful to mention briefly the progress being made in the development of alternatives to animal testing. For the deadline in 2009, alternatives already exist for tests for skin corrosion, acute phototoxicity, skin penetration and skin irritation and mutagenicity. Work on the replacement of the genotoxicity and eye irritation tests is progressing well—I am sure that we all have very clear images of the sort of animal welfare posters produced, at the time, of rabbits, in particular, involved in the latter tests.

Hopefully those replacement tests will be completed towards the latter half of 2009, and at present we have no reason to believe that the 2013 end points will not be met. It is worth pointing out that once those tests are validated and legally accepted, they are to be used as alternatives to animal testing in all areas, not just those related to cosmetic products—I think that that addresses the point that the right hon. Gentleman mentioned.

As I indicated at the beginning of my remarks, the Home Office, via its Animal (Scientific Procedures) Inspectorate, is responsible for ensuring that test houses do not carry out testing on animals for cosmetic purposes. Day-to-day enforcement of the Cosmetic Products (Safety) Regulations 2008 is the responsibility of local authority trading standards departments, which have access to the safety assessment dossiers, which companies must retain for all the cosmetic products that they supply. Those dossiers will contain information on any animal testing that has been carried out in the past. If hon. Members are contacted by constituents with concerns about such matters, they can refer them to their local trading standards department.

My Department has received a number of letters from members of the public concerned that the regime that I described earlier will change because of pressure from the cosmetics industry. I can reassure Members of the House that the cosmetics industry has made no such approach to my Department and that, even if it did, we would not change the existing legal framework. My officials have also confirmed that no approach has been made by the cosmetics industry to the European Commission seeking changes to the European directive on cosmetics in respect of animal testing.

All animal testing must be conducted under the REACH—Registration, Evaluation, Authorisation and Restriction of Chemicals—regime, which was initially an EU regulation, but is now incorporated into UK law. Its overall objective is to establish a rapid, efficient system for collecting the necessary information on chemicals and for tackling those of most concern, while minimising animal testing and maintaining the competitiveness of the chemical industry. The UK Government continue to be strongly supportive of the principles and objectives of this new EU chemicals strategy.

Although it is important for the industry to demonstrate that its chemicals are safe to the environment and to human health, via the environment, the animal testing required under REACH to achieve these ends must be minimised and undertaken only where it is needed, and not just for the sake of filling data gaps.

Kerry McCarthy: There has been a significant increase in animal experiments over recent years. Is one of the problems not the lack of data sharing between companies? Sometimes that is because of commercial confidentiality, but could the Minister tell us a bit more about what is being done to encourage companies to share test results, so that they are not all carrying out the same tests unnecessarily?

Claire Ward: I agree absolutely with my hon. Friend. It is important that the industry recognises the Government's and the EU's intentions in ensuring that we reduce the amount of animal testing. It is in everybody's benefit, therefore, that companies share that basic data. That is very important.

It is important to note that the legislation focuses on "information" rather than "data". There is flexibility to use all available information, not just data from tests, to satisfy particular registration requirements. To avoid duplication, the REACH regulations specifically exclude the need to consider the risks to human health for uses in cosmetic products within the scope of the cosmetics directive. However, the need to reduce animal testing is a key issue for the UK Government who will continue to emphasise the importance of requiring information where this is necessary for risk management.

Andrew Rosindell (Romford) (Con): Does the Minister agree with my right hon. Friend that transparency needs to be encouraged and supported far more than it has been. Without transparency, we will not gradually find further ways in which we can reduce animal testing, not only for cosmetics but a whole range of other things. Will she undertake to make this a priority for the Government to ensure that there is much greater transparency throughout the whole area of research?

Claire Ward: The hon. Gentleman raises a very important issue about transparency and information data sharing between companies to ensure that we minimise the effect of increasing animal testing.

Testing can be minimised by ensuring that data on chemicals is shared between companies and countries—a

significant benefit of the European Union—as well as ensuring that test packages for the new REACH scheme are proportionate.

Kerry McCarthy: On transparency, there is another issue is there not? Consumers often do not realise that what they are buying has been tested on animals, because labelling is not clear. The average person on the street does not want to buy products that have been tested on animals, but that information simply is not available. Will the Minister convey to the Department the need for more transparency in the information that is given to consumers when they buy household products?

Claire Ward: My hon. Friend raises another important point. I am sure that the Minister who has full-time responsibility for this issue will study the *Hansard* report of this debate with great interest, and that my hon. Friend's points will be taken on board.

My hon. Friend is absolutely right to make it clear that this issue is also about the public demanding changes. There has been a huge change in the public's state of mind in the past few years, initially as a result of people such as Anita Roddick and organisations such as the Body Shop making changes to the way in which they marketed and sold their products, and others seeing the value of those changes. In time, we will move on to the changes that the right hon. Member for West Dorset suggests. He sees this as a much bigger issue involving the use of animals for testing not only cosmetics, but household, medical and many other items.

I thank the right hon. Gentleman again for raising this important issue, which will no doubt be aired again, perhaps taking on the points that he has made and developing the debate. I trust that he feels that the UK Government and the European Union have made significant progress in changing animal testing regimes and taking this issue forward, so that there might be a time at which we can significantly reduce the amount of animal testing.

Question put and agreed to.

Adjourned accordingly at two minutes to Two o'clock.

Westminster Hall

Wednesday 15 October 2008

[MR. ERIC ILLSLEY *in the Chair*]

British Business (China)

Motion made, and Question proposed, That the sitting be now adjourned.—*[Mark Tami.]*

9.30 am

Mr. Eric Illsley (in the Chair): In view of the inordinate temperature in the Chamber, exceptionally, hon. Members have my permission to remove their jackets. That would not normally be the case, but I think that the circumstances dictate it.

Mr. Bill Olner (Nuneaton) (Lab): I hope that it will be a distinct pleasure to serve under your chairmanship, Mr. Illsley. I am delighted to have secured this debate on a crucial topic. It was important in May and, given the global situation, it is even more important now that British businesses can operate globally and particularly in China. I am delighted to see here today so many of my colleagues who accompanied me on the Industry and Parliament Trust's most informative and highly educational visit to China in May—*[Interruption.]* I am gently reminded that we went to Shanghai, which I thought was in China! We did spend some time in the Shanghai region though.

I am also pleased that in the Public Gallery we have representatives from the Chinese embassy and British businesses who provided people and resources to make the parliamentary fellowship programme possible. I pay tribute to the chairman of the all-party China group, my hon. Friend the Member for Wirral, South (Ben Chapman), who accompanied us on our visit and who, over many years, has done tremendous work in fostering relationships between China and the UK. While I am in the business of giving my sincere thanks, I should mention that we were accompanied by two very helpful representatives from the Shanghai People's Congress, who made things work and were very informative and supportive. My thanks to them.

All hon. Members, particularly those in the Chamber today, will be familiar with the work of the IPT, of which many here are fellows. They have benefited from the opportunity to undertake an attachment in industry to see at first hand the challenges and successes of British industry both in the UK and overseas. As chairman of the IPT, I remind hon. Members that its mission is to foster understanding between us as legislators and those who, over the years, have created the industrial wealth of our country. We have done that very successfully, and recently the IPT took the next step of integrating with Europe, so that we could understand European industry and Parliaments, too. Our trip to China was our first venture to look at the global marketplace, which was what made the visit so educational.

Mr. Mark Hendrick (Preston) (Lab/Co-op): I concur with what my hon. Friend says about the IPT and the way in which it is branching out, not only in the UK, but across Europe and globally. I was fortunate enough yesterday to receive my fellowship to the IPT from PricewaterhouseCoopers, to which I pay tribute not only for providing me with that opportunity, but for the chance to visit Brussels and Shanghai to see its business operations in those places.

Mr. Olner: Everyone in the delegation was a great ambassador, not only for the IPT but for the UK Parliament. I do think that the trip was important. It was non-political and formed a genuine basis on which we could learn better about how UK business operates and works in China and the rest of the world. I agree with my hon. Friend that that happens because of the sincerity of the relationship between the UK businesses that support the IPT and the fellows who get attached to them. I think that bond is very unique. We would be challenged if we tried to emulate it, because it has developed over many years.

We were impressed by our visit to the Suzhou industrial park—a joint venture with Singapore. Following an agreement signed in 2002, funding was made available and within five years we saw a massive industrial park offering every facility to Chinese and international businesses.

We also learned about how China is handling climate change. BP China is at the forefront of investigating clean technology and has invested in a university-scale research unit that employs more scientists and climate change experts than I care to mention. Not only did we hear about its extensive research and development, which will produce remarkable results in reducing emissions, but about its skill in handling a major joint venture with China to shape a way forward for energy to serve a country of 1.5 billion people. I think that when the Chinese consider the scale of what is being done, and needs to be done, in their country, their position becomes apparent to them and they think, "We might be China, and we might punch a bit, but there is a real big world out there that we need to know about."

Having arrived shortly after the earthquake in Sichuan, we paid our sincere respects to all those who tragically died in that natural disaster and signed the book of condolences at the foreign ministry. The power of nature can make us realise how frail human beings are.

As my hon. Friend the Member for Preston (Mr. Hendrick) said, we were presented with an excellent overview of Chinese operations by PricewaterhouseCoopers. We also learned from Arup about eco-city initiatives and saw many of the magnificent earthquake-proof high buildings, which are very visible on the skyline. China is an earthquake region and major engineering is needed to ensure that buildings are safe. We also visited the consul and were advised by UK trade investors on their initiatives on UK investment in and out of China and the major Expo scheduled for 2010. Sadly, that has attracted little UK funding. Are we doing enough at ministerial level to provide aid and assistance to UK businesses, particularly in China?

Education was also a focus of our visit. British interests were represented in various joint ventures delivering high-quality secondary and higher education on a major scale. With the British Council, we visited the campuses of the universities of Nottingham and Liverpool and of Dulwich college to see how non-Chinese children can receive an international education and hopefully contribute in the future to China's fast-growing economy.

[Mr. Olner]

While in Shanghai, I did my fellowship with GKN, and it was very good to witness the GKN experience in Shanghai. It was making automotive products for the Chinese automotive industry. Some of my colleagues on that visit said that my face became a little more animated when I saw metal being cut and other things that I fully understood and was au fait with. I congratulate GKN and others on being able to move into that sphere and contributing to Chinese automotive industries.

The purpose of today's debate is threefold. First, if they catch your eye, Mr. Illsley, it gives an opportunity for hon. Members to recount their experiences and impressions and to tell us what perceptions they formed on the visit. Secondly, I want it to raise awareness of what more British business could do in China, and how that could be helpful. I should be grateful if the Minister, even though he is new to his job, told us how important he thinks that relationship is.

Thirdly, given the global crisis that we face, with Chinese sovereign reserves amounting to something like $1.8 trillion, we should foster our relationship with China and encourage it to invest more in British businesses. Global economies have changed a great deal in the past six months, and that makes it even more important that the UK is a major player in the global field of business in both China and the wider world.

Mr. Eric Illsley (in the Chair): Order. Before I call the next speaker, I remind hon. Members that they are not to refer to the Public Gallery in any way.

9.41 am

Mr. Mark Prisk (Hertford and Stortford) (Con): Thank you, Mr. Illsley. I start by warmly commending the hon. Member for Nuneaton (Mr. Olner) for securing the debate and for his excellent leadership of the trip, in conjunction with the hon. Member for Wirral, South (Ben Chapman). Perhaps I should confirm that I was a member of the delegation, although I suspect you will have gathered that, Mr. Illsley. As a trustee, I was impressed by the organisation provided by the IPT's staff and by the wonderful support and involvement given by the companies that sponsored and supported the trip. It was immensely helpful to have UK businesses alongside us while we were in Shanghai.

I am aware that a good number of colleagues wish to contribute, so I shall move quickly through three broad points that I hope will add to the debate. First, reflecting on our trip to Shanghai from a little distance, I note that China is not a single market. In business and politics, we tend to talk in shorthand as though it were one large, homogenous market, perhaps because the Han ethnic group makes up about 90 per cent. of the population, or because Mandarin tends to be the language that most UK businesses or politicians encounter. There is an assumption that there is a homogenous whole, but if one looks carefully, one sees that the continent is just as diverse as Europe.

Let us consider the north-south divide. In the south, cities such as Shanghai are fast moving and entrepreneurial. We saw that on our trip. Time and money matter there, as they do in many western cities. That is a crucial characteristic for such cities, and is one reason why Shanghai is the financial centre of China, although there may be competition from Hong Kong in that regard. There is a cultural focus on entrepreneurship. However, when I talk to UK businesses, they tell me that their experiences in the north of the country—north of the Yangtze—are of a relatively slower and perhaps more bureaucratic way of dealing with business. That might be because Beijing, like Washington in the USA, is a corporate town and the corporation is government, making the culture somewhat different to that in Shanghai, Hong Kong or Shenzhen. It is important to understand that there is a difference between the areas to the north and south of the Yangtze.

It is also important to remember, when thinking about whether China is a single market and how businesses should approach it, the difference between the eastern seaboard and the rural hinterland. Roughly half of the 1.3 billion people in China live not in major urban centres or sprawling suburbs, but in the poorer and more remote towns and villages. We saw on our trip that there has been a huge migration of labour into the cities, with many such people working unofficially on construction sites. However, a substantial section of the population are not part of the economic revolution, perhaps because of their income level, location or age. From a business point of view, when thinking about the scale of that marketplace, it is worth remembering its characteristics and how it is differentiated.

My second point is that China is not becoming a western nation, as might initially have appeared to be the case. It is simply becoming a modern nation. My first impressions of Shanghai were, I suspect, the same as those of most hon. Members present. It seemed remarkably like our western cities, with the shops and brand names, the people's adoption of western fashion, and even traffic jams. However, on talking to UK and local business people I realised that there are still vital differences to living and doing business there. I offer hon. Members a simple, but perhaps controversial, example. When we arrived at the hotel, a letter awaited us that set out the Government's rules and regulations governing use of the internet. I shall not test the patience of the House by giving all nine rules, but they included the following examples. When using the internet, one should not:

> "Endanger China's unification of the country, territorial integrity and sovereignty...Betray China's national interests or endanger the security and honor of the country...Violate religious policy, publicize or promote any evil cult organisation...Spread rumors and disturb the social order and stability of the country".

Those rules might seem strange, but they are not simply the demands of a one-party state. The character of rules such as the one about the country's honour, suggests something very different to our social norms.

As I suspect my hon. Friends will realise, I am no expert on the teachings of Confucius, but it seems to me that certain values that are distinctly different to our own remain central to the people of China. We believe in democracy and freedom of the individual, whereas they instinctively respect their rulers and always put family first. We believe in equality before the law, whereas they have far more regard for the quality of the ruler. Even with the upheaval of huge migration between rural and urban areas, there is still a strict hierarchy of relationships in China that shapes every family, business, community and political organisation. What we might

perceive as subservience, they regard as respect. The paramount importance of face, or mianzi, matters greatly to every person, business and part of that nation.

On my trips to Shanghai and to Hong Kong the previous year, I saw that things are changing. One interesting dynamic is what changes will come of the "Little Emperor" generation. Children grow up with considerable demands on them, but they also have considerable opportunity and might become more self-centred than their parents. If we look across the piece, British businesses that want to succeed in China will continue to need to understand the distinct values of that nation.

My third point is that UK plc needs to do better. As I have said, I have been to both Hong Kong and Shanghai in the past 18 months, and I have been immensely impressed by many of the UK players whom I have met, such as the team at BP. I am sure that hon. Members will agree that they showed a long-term vision and professionalism that could match any competing company in the world. Other companies that are leading players, such as GKN and Arup, command immense respect in China. However, I fear that the overall effort of UK plc is not working as well as it might. Although our exports to China have grown, French exports have grown at twice the rate of ours, and German exports at three times the rate. In my discussions with businesses in Shanghai and subsequently, I have met several people who believe that the UK's official representation is not as effective as it should be.

One of the problems is the unnecessary duplication of effort by Government agencies—the peculiarity of having different offices in different parts of Shanghai that often go to the same meetings and pitch for the same opportunities. The regional development agencies and UK Trade and Investment should not be jostling with each other for the same business. There should be one strong team working for the whole country, pooling resources and operating in each of the key cities. I would be particularly interested to hear the Minister's response to that point, given that the former Secretary of State for Business, Enterprise and Regulatory Reform made it clear, quite rightly, that he wanted to see that duplication ended.

Equally, there is evidence to suggest that some of the original dynamism of the China-Britain Business Council has been lost and that British businesses and politicians are not getting in to see the right people in the Government at the right time. That problem was much commented on. I hope improvements have been made. If it can be demonstrated that things have changed, that would be fantastic; if it cannot, urgent work is needed.

The opening up of China and the rapid expansion that that has created is a great opportunity for businesses in this country. We already have world-class players there—people who are regarded highly in China because they have taken the time to understand the markets and the people with whom they are working—yet UK plc is falling behind. Politicians in government and the business world generally need to realise that China is not a single market, but a continent of different cities and peoples and a truly segmented marketplace. We need to strengthen and unify our presence on the ground. Indeed, as the global economy turns down, we must become even more competitive. Our trip last May certainly helped me to understand the opportunity and challenges before us—I suspect that the same is true for other hon. Members—and I hope that it will inform Government policy in the coming months.

9.52 am

Ben Chapman (Wirral, South) (Lab): May I first refer to my entry in the Register of Members' Interests? I am delighted that my hon. Friend the Member for Nuneaton (Mr. Olner) has secured the debate. As chairman of the all-party China group, I was delighted to join him in leading the delegation and contributing to it. The all-party China group has nearly 500 members, and it is vastly important that all parliamentarians and not only members of the group are aware of the scale, speed and nature of change in China. There is simply insufficient knowledge on China, not only among the general public, but among parliamentarians. I try to take a delegation of around 10 Members to China each year, but even assuming the group's membership of 500 did not change, it would take me 50 years to get through the list, so I will lose no opportunity to get hon. Members to see and believe what is happening in China, and particularly in Shanghai. It is also particularly important that visits are as focused as ours was on the specific issue of British business in China.

I congratulate the staff of the IPT on their work and initiative. I would like to join the other members of the delegation who have already spoken in thanking all those who received us and helped us on both the British and Chinese sides. We have not yet mentioned Virgin, which was helpful, not only in getting us to China, but in briefing us on the issues that it and other companies face there. Overall, we could scarcely have received a more rounded view of the issues and opportunities of the business environment.

When I first went to China in 1986 as commercial counsellor, it was a very different place from the China we see now. It was a country of Mao suits and bicycles, and doing business was pioneering and difficult. Commercial practice and law was not as we know it, negotiations were a special art form and intellectual property issues were problematic at best. However, many of the companies we saw in Shanghai in May were in China before I went in 1986, which is a fulsome demonstration of their commitment to the market.

For many years China was the biggest potential market in the world. It took a number of years for the actuality to arrive, but now that it has we can see that in rounded terms the Chinese economy has grown at about 10 per cent. per annum since 1978. My maths is not so good, but I know that that is a lot of growth. It is a phenomenon that has changed the shape of the world. It is clear that an organisation that is in business in any serious way needs to be part of what is happening there.

The perception of China has been changing ambiguously over the years, from booming market to challenging competitor. For many years it was regarded as an exporter of deflation, but more recently it has been regarded not only as a good place to do business, but as an exporter of inflation and a voracious consumer of raw materials and other goods for which the rest of the world has a need.

Attention has long been focused on China's human rights record, pollution, its role in Africa and its challenge in other markets. Despite the image at the time of the

[Ben Chapman]

Olympic torch, the prevailing image of China is of an economic powerhouse, as exemplified in Shanghai, and the nation that produced the most sensational and successful Olympic games. China has for some years been an attractor of foreign direct investment and is increasingly an outward investor. Of course, China is not standing alone. If one looks at the east, one is looking at India, Vietnam, the Asian dragons and tigers and the old economies of Korea and Japan. The sum of that is that the world is becoming oriental rather than occidental. It means that the economic centre of gravity is moving eastwards, and the political centre of gravity with it. That has profound implications for all that we do in relation to China.

China has been the pac-man effect in action, and becoming part of it has been an imperative and not an option. Whether the biggest challenge for us would be China's continuing success and growth or its relative slowing-down and failure—not that one can look at it in those terms—has long been an interesting question.

As we saw in May, any reference to China as the workshop of the world simply fails to capture the incredible and rapid changes taking place within its borders and limits the nature of Sino-British partnership. We would be unwise to ignore, for example, the implications of a vast and growing Chinese middle class that would potentially consist of more than 500 million consumers by 2025. As we have said, British industry is very much aware of those opportunities. As science and technology take centre stage within the Chinese Government's strategy for sustainable development, so a space has opened for expertise and experience in that area. Perhaps a prime example of that is Arup's involvement in the Dongtan eco-city close to Shanghai.

The build-up to the Beijing games gave us many opportunities, and British firms were able to play a part in many sectors, such as the provision of temporary power for Olympic facilities, the design of the "Bird's Nest" stadium, representing the British Olympics organising committee and the design of the magnificent terminal 3 building at Beijing airport. Those are but a few examples. It would be impossible in the time available to represent the range and diversity of opportunities and the successes that we have achieved in recent years.

Although we can celebrate the strength of the Sino-British economic partnership, we must be careful to avoid complacency. We are told that the UK is Europe's largest investor in China, but we should be aware, echoing the point made by the hon. Member for Hertford and Stortford (Mr. Prisk), that in 2006 the net investment in China by British businesses fell compared with 2005. Furthermore, we should remember that that investment is dominated by a few companies, notably the oil companies. If we are to maintain an upward trajectory, and continue to capitalise on Chinese economic expansion, we must think about China with even greater interest and commitment than that which we have previously reserved for the US and Europe. Our trade deficit in Chinese goods, again reflecting the point made by the hon. Member for Hertford and Stortford, was £12 billion in 2006, and it continues to grow. At the same time, China was our 13th most important destination for goods, and 20th on the list for our services. That simply is not good enough when we consider that China is positioned to become the world's largest economy within two decades.

It is a courageous man who will speculate how China is affected by the current global economic crisis, and on present form it is not clear. On the latest statistics, our trade continues to grow, but it will certainly be affected, as will China's growth—still between 9 and 10 per cent.—as it is hit by what is happening in the wider global economy. There is a minimum economic growth level that China must maintain in order to maintain social cohesion, given the absence of a sophisticated social security net, growing aspiration among the Chinese people and, notwithstanding the one-child-per-family policy, population growth. At this stage, while China sees economic turmoil as principally a western phenomenon, its exposure to problem assets cannot be assessed. Some factories are affected and some are closing. Basic production in steel, for example, is being cut.

China is making its contribution to a global solution and, like the west, is cutting interest rates. While having a relatively closed financial market, the Chinese economy will be affected. However, the supertanker effect—I am sorry to be so corny—is in play, as is the level of technological development, so the effect will probably be relative and China will remain in global terms an attractive place to do business. This is not a time to switch resources or attention from our business with China.

The second question I want to deal with, which has not been raised as much since stock markets started to rise again, is whether China will use its massive foreign exchange reserves and sovereign funds to buy up our assets at knock-down prices, and whether that would be a good thing. China has been an increasingly responsible global and regional player, both financially and politically. It played an extremely important leadership role in the Asian financial crisis and it will do so now. Thus far, to the best of my knowledge, it has used its sovereign funds in equity investment and in banks, which hon. Members might be surprised to learn, among other things. China also recognises its responsibilities and its lack of knowledge in running Western businesses. We have long sought Chinese investment and in the current climate we will want more. After all, it was a Chinese company that relaunched auto production at Longbridge.

The role of British business in China is crucial, but the Government are always central to achieving its aims, and the resources that they devote to this end must reflect both the scale of the challenge and the aspirations of industry. Our trade and investment team total 91 full-time equivalent staff in China to promote the interests of British goods and services there. That has increased by a quarter since 2005, which is obviously a step in the right direction.

I pay tribute to the China-Britain Business Council, which does excellent work in China for British companies, and to its current and past chairmen. As a nation, however, despite our task forces, prime ministerial and high-level visits, we still have not sufficiently moved on from an "us and them" relationship to one of greater partnership. We still treat China as if it was just another country, albeit an important one, but the fact is that the world has changed and we need to take account of that. We have not sufficiently changed our institutions or our attitudes to take account of the new global centre of gravity and the historic shift. We must do more.

10.4 am

Mr. David Amess (Southend, West) (Con): I congratulate the hon. Member for Nuneaton (Mr. Olner) on securing the debate. As so many people wish to speak, I shall dump most of my speech and talk about suits, ties and watches on another occasion. I congratulate the Industry and Parliament Trust on this initiative. The hon. Gentleman is the chairman of the group, and the delegation was ably led by him and the hon. Member for Wirral, South (Ben Chapman). They did a splendid job, and I believe that every member of the delegation got something out of the trip.

We owe a debt of gratitude to the wonderful staff at the IPT, which is a wonderful organisation. I did my fellowship donkeys' years ago with Esso, and am hoping to start a masters with Bank of America shortly. I understand that it will want to fly me to New York, so I am greatly looking forward to that. But as someone who had never been to China, the opportunity to go there changed my mind dramatically about a number of issues.

The chief executive of the IPT, Mrs. Sally Muggeridge, stated:

"This fellowship was a fantastic educational opportunity for the group of MPs to gain a strong knowledge of issues surrounding China relevant to industry in the UK together with first-hand experience of business and growth in the country.

The China Fellowship was a natural extension of the IPT's work over the past 30 years in encouraging parliamentarians to improve their knowledge and understanding of business and the issues that affect it. Many of the delegates have already completed an 18-day IPT fellowship programme spending time within UK business."

However, many of us need to go back. One visit to Shanghai hardly makes us experts, and I would like the opportunity to see a little more of the country.

Mr. Graham Allen (Nottingham, North) (Lab): One reason to go back would be to revisit PricewaterhouseCoopers, KPMG and several of the people whom we met there to discuss their analysis of the investments of the Chinese financial system, Bank of China and so on. Forgoing what appeared to be easy profits from investing in the wrong end of the American housing market and adopting a long-term and stable view of investments will pay off for them. Given the recent crisis, we could learn lessons from them.

Mr. Amess: The hon. Gentleman makes the point better than I would be able to, and I agree with everything he said. We are not making as much as we could of existing possibilities. Enforcement issues, consistent implementation of intellectual property rights, market access, red tape and subsidies to domestic companies all continue to feature among the barriers to doing business in the market. Such concerns need to be fully addressed in order to support UK exports and investments. We really could and should be doing better. My goodness, having visited Shanghai, I can understand why the Americans are slightly fearful of the competition.

I shall end with just a few remarks about the Essex-Jiangsu partnership. As all hon. Members know, Essex is the finest county in the country, and it always leads the way. The Essex-Jiangsu partnership has been running since 1988 and was formalised in 1992 by Lord Hanningfield, who just celebrated 10 years as a Member of the House of Lords. It was established with the overall goal of developing firm and long-term bonds with Jiangsu province and creating a harmonious relationship between Essex and China, and it has indeed done that.

The partnership aims to give practical support from the Jiangsu authorities to the county's exporters, and to attract inward investment to Essex. The relationship has already produced great benefits for the county. In 2006, 30 businesses, including three Essex companies that have since set up operations in the province, were helped to find opportunities in Jiangsu.

Thirty-five Essex schools are actively engaged in curriculum links with Jiangsu schools, and a group of 12 primary and secondary schools has pioneered a successful drive to promote the teaching of Mandarin in Essex. Many teachers from Essex schools have already visited schools in Jiangsu and partnership links are developing.

The county council is aiming for the partnership to be recognised as the most productive relationship between a British local authority and a Chinese provincial government by 2010. Two years ahead of 2010, I am prepared to announce that it is the most successful relationship.

Essex county council is also holding a cultural festival to celebrate its 20-year partnership with Jiangsu province. Hundreds of celebratory events are taking place up to March 2009. This is a prime example of the kind of proactive, innovative approach to Chinese education and trade links needed in all parts of the UK and, as ever, Essex leads the way.

If we are talking about second languages in our schools, let us encourage Mandarin. It is a difficult language, and most of us have trouble speaking English, let alone a foreign language, but let us encourage people to speak Mandarin. As my hon. Friend the Member for Hertford and Stortford (Mr. Prisk) said earlier, let us try to make the most of our opportunities.

I visited Shanghai zoo and I am determined that we secure a couple of pandas for London zoo—whether they will be leased or rented to us I do not know—and a couple for Colchester zoo.

This was a fun trip, but every member of the delegation would agree that it was worth while. I already had an image of China, but the trip changed my perception. What a wonderful country China is and what wonderful opportunities it provides for each and every one of us, particularly in these challenging times.

Mr. Eric Illsley (in the Chair): Before I call the next speaker, can I just remind hon. Members that the wind-ups must commence at 10.30 am?

10.11 am

Derek Wyatt (Sittingbourne and Sheppey) (Lab): I thank my hon. Friends the Members for Nuneaton and Shanghai (Mr. Olner) and for Wirral, South and Beijing (Ben Chapman) for the way that they masterfully looked after us in Shanghai. It was by some way the best trip I have ever been on. It was the best prepared trip—we had a number of seminars, language tuition and a marvellous pre-run before we got there.

Everyone has said "Well done" to the Industry and Parliament Trust and I commend it for its utter professionalism, which was outstanding. I, too, have

[Derek Wyatt]

done an IPT fellowship: mine was with Motorola 10 years ago. Motorola was the first company in America to be in China, 25 years ago. That was a hard call.

I was pleased to be in Shanghai, having been brought up in Hong Kong. It was good to see, in a sense, a second side of the Chinese face.

Some of the presentations that we received were outstanding. I still remember the BP presentation on intellectual property. The Chinese have struggled with that, but they are trying to get to grips with it, and BP is taking a global lead on that with them.

I share hon. Members' reservations about whether we are really clued-in to what is going on in China. I ask the Minister to set up a China council on the same level as the National Economic Council on the credit crunch that we are considering at the moment, because I do not think that Departments understand what is going on. If the 19th century was the British century for the world and the 20th century was America's, last week the 21st century became the Chinese century. China has $3 trillion of reserves, which is much more than the Federal Reserve has and certainly more than the Bank of England and Frankfurt have. This is the changing of the guard and we were lucky to just be on the edge of it in May and June.

A totally new approach is required. I shall try to illustrate that by looking at our Foreign Office representation. In China, we have one embassy and four consulates for a population of 1.3 billion. In India, we have one high commission, three deputy high commissions and three trade offices for a population of 1.2 billion. In America, we have one embassy and seven consulates for a population of 302 million. In Europe, we have 27 embassies and nine consulates general for a population of just under 500 million. That works out, in representation terms, as one embassy or consulate in China per 260 million people and, in India, one in 172 million. That is completely wrong.

We are so out of—I cannot think what the word is. We have misread the tea leaves about China and India at every level of Government in this country. We have done some good things in India—for example, we set up the UK India Business Council, and the UK-India education and research initiative to look at universities exchanging students and courses and trying to build relationships—but we have not done that in China.

I hope that out of this—although it is too early for the Minister to comment—comes the recognition that we need to have a proper all-engaging discussion about what we do about China. The events of the past two weeks have been so profound that I am not confident that we get it. That was one of the good things about going on the trip: not only was there terrific fellowship from all parties, but it was good fun and hard work and, because we were well prepared, we got so much more out of it than has been the case on previous visits.

One of many statistics given in a presentation threw me completely: 80 new cities of 5 million people each will be built in China over the next 10 years. That means 400 million new houses and other buildings, including schools and hospitals, as well as roads and goodness knows what. The demand for British product would be absolutely enormous, but where are we? We are behind Germany and France already.

Mr. Hendrick: To echo my hon. Friend's point, we visited Suzhou, which is an old town with a new city, probably the size of Birmingham, built alongside it over some 15 years. Suzhou makes Milton Keynes—our new city—seem like a village.

Derek Wyatt: I agree. At the same time that that city has been built, we have had the Thames Gateway proposals. I am at the edge of that at Sittingbourne and Sheppey, but I can tell hon. Members that we will still have the Thames Gateway in another 20 years and not much will have moved. A fundamental shift in thinking is required and China is leading the way, although it has borrowed, largely from Singapore. There are models out there that we can use, but for some reason we are becoming more isolationist in our thinking, which, in a global environment, unnerves me.

Those 80 new cities built over the next 10 years will, with a combined population of 400 million, have twice the population of Britain, France, Germany and Italy. We have to get our minds round the staggering economic change that is going to happen in China.

There were many highlights to the visit, but I should like to pay tribute to my favourite architect, I. M. Pei. We were privileged to see his new, beautifully designed, elegant, sensitive museum in Suzhou. He has done that while finishing the new cultural museum in Doha. I do not know where he finds the time: he is only 91. I sense that the museum in Suzhou will be his last ever commission. It was wonderful to meet his daughter and to spend time walking round the building. As somebody who loves architecture, I would not have missed it.

I want the Minister—although he may not be able to say anything about it now—to galvanise his Department to go to No. 10 and create a China council.

10.19 am

Mr. Mark Hendrick (Preston) (Lab/Co-op): I start, as my colleagues did, by paying tribute to the excellent work of the IPT. Sally Muggeridge and her team did a great deal to prepare us for this visit. I also thank the firms that sponsored the visit, including PricewaterhouseCoopers, Virgin and many others.

My interest in the visit came from two perspectives. First, my background before becoming a politician was in engineering and science, and seeing how China has developed industrially and technologically was of great interest to me. My other area of interest, which sparked my fascination with China, is education. My first visit to Shanghai just over two years ago was to two universities that were working closely with the university of Central Lancashire in my constituency.

The university of Central Lancashire has more than 1,000 students from mainland China, one of whom, I am sorry to say, sadly died last week in an accident when he was hit by a bus when on a bicycle in Preston. I send my condolences to that student's family. Many students from China are in Preston studying at UCLan. Many are spending two years in China and one year in Preston to obtain a bachelor's degree, and many are doing two plus two to obtain a master's degree in a variety of subjects. Two and a half weeks ago, I was fortunate to attend the opening of the Confucius centre at the university of Central Lancashire in Preston with the Chinese vice-consul, who came from Manchester to attend the opening. My constituency and its university have many ties, and I have many interests.

When visiting China with the delegation, I was impressed to see that other educational institutions, such as Liverpool university and Nottingham, have a presence there with my university. I spoke to two young students from Liverpool university about their experience, which was reminiscent of mine 26 or 27 years ago, when I had a placement in Germany. The two students from Liverpool were studying in China and now see the world from a different perspective, in which China is becoming a major player.

To draw a parallel with my experience, I trained as an engineer 27 years ago in Germany. I had learnt the language and a great deal about the history of Germany and its people at a time when the Common Market was developing into the European Community and what we have now with the Berlin wall down—a European Union of 27 member states. What we have now in China, partly through the engagement with Singapore and the Government of Lee Kwan Yew at the time, is an opening up over the past 20 years, with huge technological advancement, huge technological investment and huge educational investment. Much of the value that we export to China is education, not only from my local university, but from other universities that I have mentioned.

To put into perspective what my hon. Friend the Member for Sittingbourne and Sheppey (Derek Wyatt) said, China has as many people studying for PhDs—not just bachelor's degrees—as we have in the population of this country. One realises why, as my hon. Friend said, in the next 80 or 90 years, China will play a role in the world that America played during the last century and Britain played during the century before that. There are great challenges ahead and great opportunities.

My newly ennobled Friend Baron Mandelson of Hartlepool and Foy and the Minister have a big responsibility on their shoulders to ensure that Britain can work with our European partners to create the sort of market and economy that can compete with the challenges facing us from China. There are many opportunities, and British business could benefit from working with our Chinese friends and partners.

I have referred to the scale of the development at Suzhou, which is breathtaking. We are doing a little in this country to improve matters, and I had the pleasure last week of visiting Daresbury laboratory in Cheshire, which has become a science and innovation centre in the north-west. I spent six years working there as an electronics design engineer before coming into full-time politics. That institution should have had the Diamond project, but I shall not re-enact old battles. Nevertheless, it is developing leading-edge research facilities and the innovation that will drive many of the products and services that this country needs to compete with countries such as China, but that is happening on a much smaller scale than what we witnessed during our visit.

We need more investment in education, and science and technology. We have the expertise, the drive and the institutions, but we obviously do not have the population to provide the number of engineers and scientists to bring about that major competition. We can achieve that only through greater co-operation and, I dare say, integration with the European Union. Apart from competition, we can work together with China. We can co-operate through business and the technological links that we are developing. We can work together culturally through education and institutions such as the Confucius institute in my constituency and others throughout the country. We can work together politically through visits such as that organised by the IPT, and Government-to-Government relations, which are also important.

10.26 am

Mr. Graham Allen (Nottingham, North) (Lab): I have only one or two brief points to make, because my colleagues have made their points eloquently about the importance of the visit.

I shall not compliment IPT more than to say that the trip was the hardest-working one that I have ever been on, and the most fun, because, as my hon. Friend the Member for Sittingbourne and Sheppey (Derek Wyatt) said, we were properly prepared. That is not always the case with such visits. I thank all those who were involved in making the trip work by doing so much advance work with us, so that we understood what we were seeing when we got out there.

One of the great benefits of the visit was that Labour Members did not have to be present to hear the result of the Crewe and Nantwich by-election, although it came through with great speed. Conservative Members made no bones about relishing the majority that was secured for the time being in that by-election.

I was interested in the question of information technology and its liberalising or restrictive effect. We continue to need to work with the Chinese in that area, or they might go as far as insisting that everyone with a television requires a licence from the Government to watch it. We would not want to go in that direction, would we, Mr. Illsley?

My final and more serious point is that we were asked by our hosts whether we would like to see an industrial park. I was up for that because I have an industrial park in my constituency that provides around 1,000 jobs, so I am very proud of it and we work hard to keep it. The industrial park in China had 6 million people living inside it. When we visited the university, I said that it was good to have a university inside the park, and my host said that it was one of 10.

I went home to my constituency in Nottingham, where we have 31,000 people on incapacity and related benefits. The experience of being in China and seeing the pace at which things are moving, and comparing that with what was happening in my constituency, before the financial crisis, was sobering. I am not necessarily pessimistic, but all of us and particularly those of us who are in Government or who aspire to Government must learn certain lessons. We need to learn about long-term financial stability and long-term planning and about not looking at the next quarter's results, but the next decade's results. We need to invest for the future. It might be that we do that in a different way, but some of the fundamental lessons are to be learnt from China and we ignore them at our peril. There are tremendous advantages to looking at the long term, and part of that means looking for long-term partnerships with the Chinese Government, so that we can all benefit from a different regime and a different global economy.

I thank my colleagues for their tremendous fellowship on the journey and all those responsible for making it such a success. I am certainly one of those whose eyes were opened. I relished visiting a beautiful country and meeting some marvellous people.

10.30 am

Mr. Jeremy Browne (Taunton) (LD): I congratulate the hon. Member for Nuneaton (Mr. Olner) on securing the debate and the hon. Member for Wirral, South (Ben Chapman) on his joint leadership of the delegation, of which I was a part. I thank the Industry and Parliament Trust and the many British companies including Virgin, PricewaterhouseCoopers, BP, GKN, Arup and others who helped to make the trip so informative and such a success.

I should like to echo many of the themes discussed by the hon. Member for Nottingham, North (Mr. Allen). My motivation for going on the trip was that I had never been to China before. I am a reasonably well-travelled person and felt ignorant that I did not have any first-hand experience of a country that is becoming increasingly important both across the world and for Britain. I was interested in what the development of China meant for the British economy and people, and I was blown away by what I saw. My experience was so serious and dramatic that it had a profound impact on me and has influenced my thinking about politics and the future of the world.

I went with everyone else to Shanghai and one evening we were having a nice dinner in a building that was about five or six storeys high and was originally a British mercantile building. We were on the top floor of a restaurant overlooking the river and during the meal, I sat next to a British person who had been living in Shanghai for many years. He asked me what I thought of the view. It was night and the view was lit up, so that there was an Asian version of a Manhattan skyline on the other side of the river. It was an impressive backdrop and I told the person I was sat next to that I thought the view was fantastic and he said that 11, 12 or 13 years ago the area was all fields. That demonstrates the pace of change.

The hon. Member for Hertford and Stortford (Mr. Prisk) made the point that China has 1.3 billion people. There is an east-west divide, rather than a north-south divide, and on the eastern side—for the ease of mathematical breakdown—there are perhaps 300 million people who are part of the new economy. Within that area, perhaps 50 million to 70 million people—roughly the population of Britain—are consumers in the western sense. That shows China's potential.

The hon. Member for Sittingbourne and Sheppey (Derek Wyatt) made the point that there is a reserve pool of labour of about 1 billion people. We, in this country, think of China as a great exporter; indeed, it is a great exporter, and that is an important part of the world economy. However, the domestic market in China will lead to huge changes for British business and is a big opportunity. It does not take a huge leap of imagination to realise that as more and more Chinese people increase their wealth and prosperity and become consumers themselves, the Chinese economy will be fuelled by the need to satisfy domestic consumption, not just international consumption.

Other contributors to this debate have mentioned the increasing quality of the Chinese work force. Too often in this country we think that all the Chinese do is make cheap clothes for western consumers to buy, and that that keeps down our headline rate of inflation. China does that extremely well, but Shanghai has about 400,000 university students. As the hon. Member for Nottingham, North said, we went to Shuzhou and looked around a university that was a joint enterprise with the university of Liverpool. We commented on what a successful university had been put together. There were 10 universities on one street and the students there were studying engineering, information technology and science. They were motivated and focused on what their studies meant for their country economically and their own life prospects.

China will overtake the United States. I agree with the point made about the 19th century being the British century and the 20th century being the American century. American still has a huge role to play in the world—not just economically, but militarily, culturally, politically and in other ways—but China is growing and growing in influence and I entirely endorse what has been said about how the British Government must respond to that. I welcome the new Secretary of State for Business, Enterprise and Regulatory Reform. It is important to have a politician of his stature and international reach in that role and I hope that he can bring his influence and political skills to bear to the advantage of our country.

Mr. Prisk: The hon. Gentleman rightly mentioned the growth in levels of consumption in China. Considering the global turndown, does he agree that in production terms, ironically, it is even more important now for Chinese consumers to take up some of the slack in terms of the goods that the rest of the world is no longer seeking from its factories and other industrial outlets?

Mr. Browne: That is important. China is growing at a rate of 10 or 12 per cent. a year and will perhaps itself experience a dip, but the fundamentals in terms of medium and longer-term growth prospects for the Chinese economy are extremely good. It is an occasionally foolish or brave politician who makes critical observations about his or her own country, but I worry that, by contrast, we in Britain are sometimes gripped by a sense of national fatalism—whether in relation to the millennium dome, terminal 5 at Heathrow, Wembley stadium or the 2012 Olympics.

In China I was struck by the sense of opportunity and the pace of change. We have to be able to respond to that. However, we need to consider the crumbling infrastructure and the unsatisfactory levels of educational attainment in the British system. The hon. Member for Sittingbourne and Sheppey made a point about our inability to deliver infrastructure projects on time and on budget. We cannot afford to allow that indulgence to continue.

We allow ourselves to believe that there is some sort of settled world order. For example, when the G8 summit is held, the eight leaders stand on the stairs and, with the exception of the Japanese Prime Minister, they are all western faces—I was going to say men, but that is not the case with the German Chancellor. We think that that represents the global hierarchy; and it has done for a long time. I am not saying that America, Britain, Germany, France, Italy, or even Canada will not have a role to play in the future—of course they will. However, the order is changing and we have to reflect that changing order—whether through our Foreign Office, our national mindset or in the way in which our companies do business.

What are the potential risks for China? One risk is the enormous disparity in wealth. Shanghai is the only place in China I have ever been to, but it is like going to New York and thinking one has seen America; there is a lot of China beyond Shanghai. Some people still live in extremely straitened circumstances. It is difficult for any country—particularly one that claims to represent some sort of vaguely communist ideal—to sustain such disparities of wealth. As the hon. Member for Wirral, South said, the Chinese economy needs to grow rapidly in order to ensure that the gap does not grow to the extent that it causes greater social tension.

The depletion of natural resources is also an issue. If 400 million people move to cities in the space of a couple of decades, it has huge implications for raw building materials. We delude ourselves if we think that we are an advanced nation with a huge amount of environmental heightened awareness, and that the Chinese are not aware of such subjects. When we went to BP, I was struck by the fact that it had an American international director of global innovation—in BP terms, innovation means anything other than oil. I, or one of us, said to him, "You are an American, so why aren't you in America or based in London?" He said, "Because if you're interested in innovation and change, you have to be in the country where innovation and change is moving at the faster pace, and that is here in China." BP is investing more in research in China than in its university partnerships in Britain and the United States.

The big question for China is whether it can let the economic liberalism genie out of the bottle but keep the political liberalism genie inside. We shall no doubt discover the answer in the months and years ahead, but if European Governments think that they can pull up the drawbridge and, with protectionism and restrictive labour laws, resist the changes that are happening in China, they are deluding themselves. The challenge for Britain is to show that we have the ambition, confidence, innovation, application, energy and education to compete and succeed. The task for the new Secretary of State, his ministerial team and officials and our country as a whole is to show that we can live up to that challenge.

10.40 am

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): It is a great pleasure to serve under your chairmanship, Mr. Illsley. It is also a great pleasure to take part in a debate secured by my old friend the hon. Member for Nuneaton (Mr. Olner). I shall let hon. Members into a little secret. I did my Industry and Parliament Trust fellowship with British American Tobacco and I used to be given free cigarettes, which I gave to the hon. Gentleman. I hope that that has not contributed to the fact that he is retiring from the House at the next election. The House will miss him sorely when he does retire. It was great to hear from him this morning.

I congratulate the hon. Gentleman and the chairman of the all-party group on China, the hon. Member for Wirral, South (Ben Chapman), on jointly leading what was obviously a fantastic trip. I think that the Minister and I are feeling rather left out. We seem to be the only ones in the debate who were not on that trip, but I cannot really feel left out, because I have been to China twice and I am to go to Hong Kong and China again in November. What has been said today proves that we need to understand a great deal more about that rather strange country that many people in this country do not know enough about. By travelling and seeing with one's own eyes what is going on there, one can get a snapshot of how the world is changing.

I echo the comments made by the hon. Member for Wirral, South. The world is changing, in his excellent phrase, from occidental to oriental. Having been to a number of other south-east Asian countries, I know that the world is moving eastwards. We need to use all our assets to try to get into that world with trade and everything else. Currently, not enough of those assets are used. The hon. Member for Sittingbourne and Sheppey (Derek Wyatt) mentioned the figures for the UK consuls. We need to use the Foreign Office, UK Trade and Investment, the China-Britain Business Council, the British Council, the BBC World Service and, indeed, our ancient contacts with Hong Kong to get into the Chinese market. We do not use those contacts enough.

Let me put the Chinese market in context. Whereas the gross domestic product per head in America is $45,000 and in the UK is $33,000, it is only $5,300 in China and $2,700 in India. The staggering facts are that, over the past seven years, whereas the US has grown by only about one third and, interestingly, the figure for the UK has doubled, the figures for China and India have gone up by three times. That gives an idea of the pace of relative change of the so-called western world and the eastern world. I take on board the fact that China's economy is predicted to be larger than that of the US by 2040.

Several hon. Members have criticised the fact that our trade deficit with China is growing—a fact that we need to bear in mind. It has grown by 67 per cent. in the past six years alone. We are importing more goods from China, and yes, in many ways that is good for the economy. Contrary to what was said, I think that that is deflationary because we have been importing cheap rather than expensive goods. I think that we have had a deflationary effect from our trade with China, but ultimately we must try to ensure that the trade gap with China is closed.

There was a lot of criticism in the debate. I do not want to major on that, but my hon. Friend the Member for Hertford and Stortford (Mr. Prisk) put his finger on the issue. The fact that we have nine regional development agencies, all with offices around the world, many in the same city—for example, Shanghai—pitching for the same business, dilutes the UK brand. It was said that in the past 10 years France has doubled its trade with China and Germany has trebled its trade, yet Britain still lags behind. I spent a great deal of time with UKTI earlier this week, but with the best will in the world, Britain needs to do a better job. It simply is not doing a good enough job.

China has had five golden years of economic prosperity, but as the hon. Member for Wirral, South mentioned, there are fears that the Chinese economy is slowing. Inevitably, with the worldwide financial problems that we face, China's economy will slow from a growth rate of 10 per cent. perhaps to 8 per cent. or less. The real worry for the world at the moment—or perhaps the benefit; I am not sure—is that Chinese factories are beginning to slow down. They are using less commodities, which is why we are seeing a drop in commodity prices

[Mr. Geoffrey Clifton-Brown]

and particularly in oil prices, from a high of $140 a barrel to the current price of about $90. That may help the world to recover.

We need to consider carefully what China is doing in respect of its trade with the rest of the world. We have heard about the sovereign wealth funds—huge funds. The figure given was $1.8 trillion; mine is $1.5 trillion. Nevertheless, those are enormous funds, built up from currency reserves. If they are used benignly, as seems to be happening at the moment—for example, a 9 per cent. stake has been taken in Morgan Stanley and a 3.1 per cent. stake in Barclays—that can be a very positive thing for the world.

What we do not want is China using its might through sovereign wealth funds or, indeed, its trade with Africa for unfair trade advantage. We want to watch carefully what the Chinese are doing in Africa, because we want to see fair treatment of African countries. Basically, what China is doing in Africa is providing infrastructure in return for mining rights. Those deals need to be scrutinised very carefully to ensure that China is not mortgaging the future of some of those countries.

I congratulate the chamber of trade in the area represented by my hon. Friend the Member for Southend, West (Mr. Amess) on the Essex-Jiangsu partnership. That is a fantastic effort. It is a pity that the Government cannot follow that effort by promoting the same proportion of trade leads as Essex county council manages to do. Essex chamber of trade may well have something to teach UKTI and the Government on how to do business with China, because it is clear that we are not doing the amount of business that we should, and fears have been expressed about the effectiveness of the China-Britain Business Council. I do not want to knock the council; it has done a great deal of good over many years, but that does not mean that it cannot improve its performance from now on.

The other important factor that my hon. Friend mentioned was the need to teach Mandarin in schools. He may be interested to know that a school in my constituency is a Chinese academy and teaches Mandarin. I got the Chinese ambassador to go to the school, and the delight of the children—not so much the delight of the ambassador, because their Mandarin was not up to his expected standard—in being able to converse with the ambassador in Mandarin was fantastic. We perhaps need to stop the over-preponderance of teaching French in this country and start to teach Mandarin and Spanish, which are two of the most widely spoken languages in the world.

The market that we are discussing is huge. China has 1.3 billion people. It has moved 200 million people out of poverty in the past 10 years. They have moved from rural to urban areas. There is still a huge disparity of wealth between the rural and the urban areas. I have been into the hinterland in China. I have seen some of that disparity of wealth, but I have also been to Urumchi, which is one of the cities in the far west, and it is similar to a modern western city, so whereas everyone talks about the eastern seaboard with regard to doing trade with China, there is plenty of trade to be done within China.

I have a lasting memory of China—I almost lost my life there. I fell 20 ft down a concrete shaft in China, but I survived and I am going back, because I want to discover more about that exciting country. It was when I was in Urumchi, talking to the Speaker of that Parliament, that I coined the phrase that the 19th century belonged to Britain, the 20th century belonged to America and the 21st century will belong to China.

We must make friends with China. We must do more trade with it; we must have more cultural links with it; we must have more exchange with it; and we must have more educational exchange with it. Every time I have visited China, I have been to a school: to see those young people's enthusiasm for learning English is fantastic. We should capitalise on the fact.

10.50 am

The Minister of State, Department for Business, Enterprise and Regulatory Reform (Mr. Pat McFadden): Thank you, Mr. Illsley, for guiding us this morning. I thank my hon. Friend the Member for Nuneaton (Mr. Olner) for hosting our debate.

As we heard, the genesis for this debate was the Industry and Parliament Trust's visit to Shanghai and Suzhou in May. We heard many contributions from hon. Members who were on that trip. The visit obviously had a profound effect on those who went. We also heard praise for the IPT. I read with pleasure the blogs, diaries and various accounts written by hon. Members during and after their trip. What struck me was the scale and speed of the changes in China, which had an impact on everyone on the trip.

The group visited China shortly after the earthquake. I therefore record the Government's support for the recovery effort in Sichuan province, noting that the former Secretary of State for Business, Enterprise and Regulatory Reform, the right hon. Member for Barrow and Furness (Mr. Hutton), now the Secretary of State for Defence, visited China a few weeks ago. During his visit, he met the Government to discuss how United Kingdom companies could contribute to the huge reconstruction effort that will be required. Construction firms, architects and many others will be needed; if we can, contributing to that as a country is something that we would want to do.

The underlying question today is whether the Government and the country get it. I believe that we do. Among world leaders, my right hon. Friend the Prime Minister is uniquely focused on the opportunities presented by globalisation. The changes in the world order that we heard about today—the rising importance of China, India and other countries—is a constant thread running through my right hon. Friend's speeches and policies, and the stance that he wants Britain to take. That is not surprising because the economic world order is changing in a big and fast way.

The assumptions of the 20th century will not hold in the 21st century. All countries, including the UK, must reassess their priorities in trading and business. Although any discussion of globalisation must take as its backdrop the events of recent months and weeks, I do not want to go into detail; the Chancellor has made many statements to the House in recent weeks outlining the Government's response. However, Britain must not allow the recent financial storms to alter our stance as a globalisation optimist—as a county that believes in looking outward and making the most of trading opportunities around

the world. We will not allow that to happen; we will continue to be champions of openness and flexibility, and not retreat into protectionism or economic nationalism.

On one point, I gently disagree with my hon. Friend the Member for Sittingbourne and Sheppey (Derek Wyatt). He said that we were becoming more isolationist. I believe that the events of recent weeks have proven profoundly that that is not the case. We are not becoming more isolationist; we will continue to champion openness and flexibility, always being outward-looking.

In the time available, I shall respond to some of the points raised during the debate, in particular about British business opportunities with China. The first, on a political level, is how seriously we take engagement with China. There are regular high-level political meetings with China. There is an annual prime ministerial summit; this year, it took place in January between the Prime Minister and Premier Wen. As a result, a range of new trade and economic collaboration activities was announced. That includes a bilateral trade target for trade in goods and services that will reach $60 billion by 2010, which represents a 50 per cent. increase over 2007.

There was agreement also on a high-level annual economic and financial dialogue between the Chancellor and Chinese Vice-Premier Wang Qishan; we will be the first European Union country to match similar existing arrangements between China and the EU and China and the United States. There is also an agreement to maximise trade and investment in the environmental sector. We are pursuing that in many ways, including through the sustainable cities initiative, which also featured during the Secretary of State's recent visit. Obviously, a host of ministerial visits took place at the time of the Beijing Olympics. However, over the past year the Secretary of State visited China three times; the Trade Minister, Lord Jones of Birmingham, visited twice; and the Lord Mayor of London visited once. Those high-level visits are an important part of our strategy.

I turn to the backing for our business presence in China. UK Trade and Investment has been a key element on those visits. It includes not only politicians; often there are high-level business delegations. UKTI works to support British business in China, with the aim of delivering a measurable improvement in the business performance of UKTI's trade customers, improving two-way trade with China, dealing with the question of market access and beating the drum for British business in China.

Reference was made to the numbers involved in the UKTI operation. It is the biggest such operation in the world. As my hon. Friend the Member for Wirral, South (Ben Chapman) said, its numbers have increased by 25 per cent. over recent years. Hon. Members say that they want more. Of course people want more, but that is evidence that we take the matter extremely seriously. We are putting more resources into it.

Mr. Clifton-Brown: I say this in a constructive way. When I talk to people in China and elsewhere, they say, "Yes, we get plenty of high-level visits, and plenty of interest for business in the first flurry, but somehow that interest is not translated into actual business." I ask the Minister, with UKTI, to see whether we can improve on that aspect.

Mr. McFadden: I thank the hon. Gentleman for that most important intervention. I am glad that he made it. Of course, it is important that visits are backed up by results. Our exports to China have increased significantly in recent months.

Reference has been made to the new Secretary of State, Lord Mandelson. He will be an important addition to our armoury when increasing business and trade opportunities. Few people in the world have his experience of China, and many countries would like someone with experience as a Trade Commissioner to join their Government in order to champion that policy.

The question was raised of whether our representation in China is right. We have the embassy; and we have three consulates that operate each in their own area. The point has been made that we have too many offices—and that we have too few. The point has been made that local offices for the regions clutter the process—and that local offices are valuable in providing links to the local area. We must make up our minds on whether we want more or less and whether we want local or national.

We are right to seek value for money. A review by Arthur D. Little and others made certain recommendations, which we shall put into practice, to ensure that the taxpayer gets the best value for money from our important trade representations in China.

I would like to say more, but time does not permit me to do so. The issue is hugely important, and as a Government we do get it.

Rugby League

11 am

Derek Twigg (Halton) (Lab): I raised this debate to put the spotlight on the Rugby Football League's decision of 22 July 2008 to reject the application made by Widnes Vikings for a licence to secure entry to super league for the 2009 to 2011 seasons. It might surprise some supporters in Widnes that I have not spoken on the matter before, but having recently ceased to be a Minister, I now have the opportunity for such a debate, which I welcome. It was my decision, made on my initiative, to introduce this debate—it had nothing to do with Widnes rugby league football club.

I should make it clear that although I see some merit in the super league licence system, I am unconvinced that it is the right way to go for the game in this country. I have always been and I remain firmly of the view that there should be a system of promotion and relegation. I am in favour of super league expansion, but that should not happen at the expense of heartland clubs such as Widnes.

This has been a sad episode in the club's long and illustrious history. Widnes rugby union club was established in 1873 and was a founding member of rugby league's northern union in 1895. Since 1920, the club has boasted numerous Lancashire cup and Challenge cup titles, three championship titles and the coveted world club championship. A super league member from 2002, the club was relegated in 2005. In the following two years, it narrowly missed out on promotion to super league; however, the club was beset by financial problems and went into temporary administration. Salvation came in the form of local business man Mr. Steve O'Connor. He purchased the club in November 2007, injecting £1.3 million of investment to reinvigorate the Vikings with new facilities, logo and management structure—he became chairman—in preparation for the super league licence bid. That unfortunately came to an end when the RFL announced the 14 successful applicant teams, which did not include the Widnes Vikings.

In Widnes, there is a widely held view that the RFL has an inherent dislike of the Widnes club because of something that went on in the past that no one can quite fathom. To back that up, Widnes supporters point to the club's inexplicable exclusion from the inaugural super league in 1996 and the fact that the club was relegated in 2005 to allow the Catalan Dragons into super league. The treatment of the club in relation to the super league licence further reinforced the view that the RFL has it in for Widnes.

As a long-standing Widnes Vikings supporter, I have been impressed by the new energy and enthusiasm surrounding the club, and its dynamic and professional approach. The club's board, staff and players have been commended for the way in which they have taken full advantage of the O'Connor-Stobart investment and the successful partnership with Halton borough council to modernise the club. I have seen the excellent facilities and the hard work that they have produced, ranging from the new players' gym and treatment rooms and a new media club room, to better seating in the stadium and impressive innovations in electronic ticketing, marketing and community activities. Further achievements include the new website, fans forum and updated merchandising and season ticket sales.

I firmly believe that the RFL shifted the goalposts when assessing Widnes Vikings's application, rejecting it on the basis not of its specified criteria but on a predetermined bias against the club's recent financial past. In doing so, I believe that it brought the entire franchise system into disrepute. I am sure that the Minister will appreciate that that has led to massive disappointment, frustration and anger within the local community in Widnes and in my Halton constituency, and I will welcome his comments on that.

Despite the club's highly successful record and its state-of-the-art modern facilities, which are further enhanced by new investment, the RFL rejected Widnes Vikings's super league licence application, mainly because of its recent financial past, despite previous reassurances to the contrary. That is a key point. The application was rejected even though the club felt that it had complied fully with the application criteria for a super league licence, and was led to believe that its recent liquidation status would not impinge on its application.

In post-22 July discussions with the Rugby Football League, chairman Steve O'Connor was told that his turnaround of the Widnes Vikings was not of sufficient duration for the RFL to be confident of the club's long-term viability. That was despite Steve O'Connor's personal cash bond offer of £500,000—that is important—to ensure the solvency of Widnes Vikings over the three years of the super league licence period. I am not aware that any other club offered such a guarantee.

Appearing on the Sky Sports rugby league "Boots 'n' All" programme on 23 July, the RFL executive chairman Richard Lewis denied giving any prior assurance to Steve O'Connor regarding the administration situation in response to a fan's e-mail question. When questioned by interviewer Eddie Hemmings, he said:

"The insolvency issue played a significant part".

In a reply to a letter that I sent on 29 July, Mr. Lewis stated on 5 August:

"Their financial background was a major factor and this was always going to be the case".

However, in the very next sentence, Mr. Lewis wrote,

"it was perfectly possible for Widnes to be awarded a licence and without revealing any confidentialities, they did finish well ahead of several other clubs".

I am not 100 per cent. sure what that means, but it raises a concern. That prompts the question: if the granting or otherwise of a super league licence was determined by the club's recent insolvency, why was it allowed to bid on the basis of other criteria, which the club, in my view, more than fulfilled? That is a key point.

At the time of the proposed O'Connor takeover of the club, I rang Richard Lewis with three aims in mind: first, to tell him my views on the O'Connor proposal and the current local situation; secondly, to ask the RFL not to impose too harsh a penalty on Widnes; and thirdly, to clarify whether Widnes would be allowed to bid for a super league licence. I was assured that the club would be allowed to do so and that any application would be judged solely on its merits. To this day, the RFL has provided no substantive evidence to explain why, against its own criteria, Widnes Vikings was refused a super league licence, other than its past financial

situation. However, if that was always going to be a problem, why was the club allowed to bid?

Mr. Lindsay Hoyle (Chorley) (Lab): I thank my hon. Friend for introducing this debate—it is important that we get such things on the record. However, I think that he ought to spell out the true merits of Widnes. It not only has a great history—we should not rely on that—and is a great club, but the club's ground was used in this season's play-offs. Wigan had to borrow Widnes's ground, because its standards are higher than most other grounds in super league. It is one of the best grounds outside super league, and would be one of the best in super league. We should spell out how great a ground it is, and how it meets all the standards when other grounds do not.

Derek Twigg: I thank my hon. Friend—he is a stalwart supporter of rugby league and does a lot of work in support of the game. I do not think that I need to say more—he said it for me—but I will talk about the ground later.

One must also ask whether, if the RFL had been clear from the outset that Widnes's recent financial past was a hurdle that they could not get over, Steve O'Connor would have opted to invest a substantial amount of money immediately and gone hell for leather to secure super league status, or whether he would have consolidated and built the club's financial capacity gradually in a concerted effort to secure entry to super league in the next round.

I do not have a problem with Wakefield Trinity Wildcats. I see that a great supporter of that club is in the Chamber, my hon. Friend the Member for Wakefield (Mary Creagh). It is a great club and I have been to the ground, but I wish to highlight one issue. Before I do so, I should like to offer my condolences to the family of the 31-year old Wakefield player, Adam Watene, who suddenly passed away this week. I am sure that the thoughts of the entire rugby league community are with his family at this difficult time.

My hon. Friend the Member for Weaver Vale (Mr. Hall) and I wrote to the RFL last month to ask it to consider Widnes Vikings's super league application afresh, given that Wakefield's new stadium plans collapsed within weeks of the licence announcement. In response to the comments on the Wakefield situation made by Widnes Vikings supporters club chairman Alan Rae, the RFL said that it will seek to learn more about the club's plans to move the situation forward, but remain fully committed to the principles of the licensing process, which require all super league clubs to stage matches in venues of appropriate size and quality.

Appendix 1, page 14, of the super league minimum standards summary in the 2008 super league criteria assessment checklist clearly states that the minimum capacity must be 8,000, and that the minimum number of permanent seats should be 1,500. Through Halton council, I checked the current situation based on information held by the building control officer at Wakefield council. He said that the seated area holds 1,382, which does not meet the 1,500 minimum capacity. We are also not completely sure that the stadium fulfils the 2,500 minimum capacity covered area criterion. We will be following that up further with the RFL, but it is important.

In his response of 2 October to my stated concerns about Wakefield's status, the RFL's Richard Lewis stated that Wakefield's application for a licence

"was assessed against their current ground. The RFL placed relatively little emphasis on their plans for a new stadium as it was clear those plans were at an early stage."

It is difficult to see how that assertion is in line with the RFL's published view on Wakefield's successful application when it was critical about the fact that there was no plan B and that everything was based on the new stadium. Richard Lewis went on to say:

"Whilst well maintained, the ground is limited and old fashioned. However, the club recognise this and have plans for a new stadium. These are not as far advanced as might be the case despite projected occupation by 2010 and evidence of Plan B would have been beneficial".

I raise that specific point about Wakefield because it relates to the criteria applied and the fairness of the system. Widnes has a very modern state-of-the-art stadium, which was used as part of their argument for a super league licence.

Mr. Hoyle: I want to back up my hon. Friend and say that, historically, the criteria for promotion—this was certainly true when I was involved in rugby league and a member of the council—included a requirement for grounds to meet certain standards. Those standards were enshrined within rugby league. It was about improving the grounds for the future of the game. It has always been the case that the grounds were part of the criteria for a club to get promotion. A club might win the championship, but that did not automatically mean entry into super league. Part of the entry was that a club had to have minimum ground standards. I totally agree with my hon. Friend that Widnes' standards are beyond everyone else's. Does he agree with me that it might be better if we accepted Widnes as an extra team, as part of the family? All families grow. Let us grow it by one more club and put Widnes within super league.

Derek Twigg: I endorse what my hon. Friend says. Given the quality of the Widnes Vikings' bid, it beggars belief that the super league did not increase to 15 clubs. We have had no real explanation for that. It should have happened, given the comments that I have had from Richard Lewis about the quality of Widnes' bid. With regard to the other clubs, I am for expansion of the game, but I am not sure about the Crusaders' bid given the low base of their support. Their away support is almost minuscule, they are relatively new and the ground is of a completely different standard to the Widnes Vikings' ground. How could their bid outdo that of the Widnes Vikings? I will leave that for others to discuss at a later date.

As my hon. Friend mentioned, if the bid was judged against the current ground, it would appear that the existing stadium fails to meet the minimum standards. I am referring to the situation in Wakefield. Furthermore, the requirement for the home stadium strategy in the super league application form states:

"Home stadium is of a standard to be expected of a premier international sporting competition in the 21st century."

At the end, it states:

"It is anticipated that any club planning or embarking on new stadium builds or significant improvements to current facilities will not satisfy this criteria."

[Derek Twigg]

Again, that seems to be a contradiction. I do not think that they can have it both ways.

It is encouraging to note that solidarity with Widnes Vikings has been expressed across the country, not least in Yorkshire itself. On 24 July, in an article entitled "Licence farce is a dark day for the RL," reporter James Roberts of the *Halifax and Calderdale Evening Courier* delivered a stinging verdict on the RFL's handling of the entire process, pointing primarily to the rejection of a super league licence for Widnes as his central argument. He said:

"In the end, the Super League licence process turned out to be exactly what its critics feared: a giant carve up of the kind you simply would not experience in any other sport. Before anyone starts, my cynicism is not born out of Halifax's rejections."

He continues:

"No, my sympathy lies with the people of Widnes, who have been mugged by the game's powerbrokers for the third time in a little over a decade. The Vikings missed the original Super League cut in 1996, were relegated to make way for Catalans three years ago and have now been tossed aside once again, despite having a case for inclusion that was arguably more compelling than a handful of other competitors. To summarise: Widnes have the ground, heritage, a solid fan base, the development set up and the money.

In the debit column was their flirtation with administration last year, before the arrival of transport mogul Steve O'Connor and his millions. The Vikings certainly weren't expecting that to hamper them though. Even as they fought out Sunday's 26-26 thriller at the Shay, the club's hierarchy were utterly convinced of their own success. With some justification too.

The Rugby Football League's own assessment of the 19 bids—which incidentally contains more holes than the proverbial Swiss cheese—highlights the fact that Tuesday's big winners, Salford and Celtic, have poor ground facilities. And poor old Widnes? Well, I'm still no nearer to understanding that one. I have never made any secret of the fact that I fundamentally disagree with the franchise system. But if we're going to do it, let's at least do it fairly."

Mr. Roberts has this damning conclusion.

"At this moment in time, it is difficult to avoid the impression that the RFL picked the 14 clubs, on grounds of geography, a couple of years ago and have been acting out a long-winded pantomime ever since."

In undermining the entire super league licence process with the get-out that it could ignore the criteria it set down and make discretionary decisions outside the process, the RFL has effectively played fast and loose with the entire scheme. At the end of the day, in seemingly moving the goalposts for super league licence approval and showing a breathtaking and arbitrary disregard for its own criteria, the RFL has made a mockery of the entire process from the outset.

Throughout the whole process, Mr. Steve O'Connor and his dedicated team at Widnes Vikings have demonstrated a forward-looking, get-on-with-the-job-and-not-go-about-sulking approach that speaks volumes about the professional integrity and the characters of those involved. I pay tribute to Mr. O'Connor and the staff and players at Widnes for their professionalism and the way in which they have borne this terribly disappointing news.

Halton council was well ahead of the game in ensuring that its rugby league club had a modern stadium with excellent facilities in which to play. The stadium also hosts other sports, including the north-west's regional table tennis centre. I ask the Minister what message it sends to other local authorities that are putting in massive investment and championing their key sporting institutions if Halton is treated in such a way.

In conclusion, Widnes Vikings are under new leadership and have the resources to go forward. They have a fantastic modern stadium—as we have been hearing about—a solid and sizeable fan base with a clear potential to grow, an excellent community development and marketing strategy and they have in place the necessary people and resources to develop young players.

I also want to mention Widnes' large away support. Some of the local derbies will take between 2,000 and 3,000 supporters. That is a sizeable amount of money. Even crossing the border into Yorkshire and elsewhere, the club takes a sizeable number of supporters, which shows their great commitment. That is now lost to rugby super league. In addition, Widnes are sponsored by Stobarts, one of the most well known brands in the country. Surely the super league would have wanted to be associated with that brand, which is the sort of brand it is particularly looking for. Those are the other things that the super league is missing out on.

It is difficult to consider the situation objectively. If Widnes' application was judged on its merits, as the RFL told me it would, how could they fail? That is the point I keep coming back to. The system has not been transparent as the RFL promised. When my hon. Friend the Minister next meets the RFL, will he raise the concerns that I have set out today and seek assurances that the next licence application process will be much more transparent, and that any expansion of the game should not be at the expense of rugby league heartland clubs such as Widnes?

11.18 am

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr. Gerry Sutcliffe): I congratulate my hon. Friend the Member for Halton (Derek Twigg) on securing the debate on Widnes rugby football club and its relationship with rugby league. I know that sport is his passion—not only rugby but football as well. I am grateful to him for making his remarks on a personal basis. He is speaking entirely as a constituency MP and his remarks have not been promoted by the club. He was quite right to make that point. He has put his arguments in relation to the super league with some force.

May I start by adding my condolences to the family and colleagues of Adam Watene, the Wakefield Wildcats prop who passed away suddenly this week. Adam served a number of clubs and made his mark at all of them, including my own club, the Bradford Bulls. He was a talented player and a popular man and will be sadly missed. I know that my hon. Friend the Member for Wakefield (Mary Creagh) will pass on the condolences of the House to him and to his family.

My hon. Friend the Member for Halton has made his support for rugby very clear, and I will come to the nub of his argument in a few moments. The debate gives us an opportunity to talk about the benefits of rugby league and what rugby league is doing as a sport.

Mr. Hoyle: Given that it is a great game and one of the best sports—the best sport as far as I am concerned—will the Minister tell us when we will see rugby league as

a category A sport? Perhaps in his conclusions, he can tell us why and when that will take place.

Mr. Sutcliffe: I am grateful to my hon. Friend for that intervention. Perhaps we will not go down that track this morning, but I will discuss the matter with him later, because I think that there is some confusion about what the Rugby Football League applied for.

As I was saying, I try to get to as many rugby league games as possible. I was at Old Trafford for the super league final on 4 October and I congratulate Leeds Rhinos on their wonderful win. Being a Bradford Bulls fan, it is difficult for me to praise Leeds Rhinos, but they won a great match. In my view, it was a wonderful showcase for the game of rugby league.

Rugby league is a game that is going from strength to strength. In the 2008 season, record crowds were achieved in both super league and the national leagues. As we all know, sport plays an important role in improving the health of the nation and rugby league is playing its part in that process.

Through Sport England, the Government have invested more than £18 million in rugby league since 2005. Rugby league is one of the 46 sports that are about to submit a whole sport plan to Sport England for funding for 2009. It is right that the sport receives Government funding, as rugby league continues to help to deliver the Government's sporting aims.

As my hon. Friend the Member for Halton said in questioning some of the governance arrangements for rugby league, it is important that all sports are governed correctly and appropriately. The Government attach great importance to strong and effective governance in sport, especially because of our investment in the grass roots of sport. However, I must say that I believe that in Richard Lewis, the RFL's executive chairman, and Nigel Wood, the chief executive, the sport of rugby league is in good hands. Richard and his team have done a tremendous job to ensure that the sport is run effectively and in a modern, efficient way. Rugby league is being managed by a strong leadership and by people who are able to take difficult decisions for the long-term good of the game and to protect and grow the sport.

Of course, one of those difficult decisions was the awarding of the super league licences. The licensing scheme was first launched in 2005 as part of the super league strategy. All clubs had the opportunity to influence the application process and the criteria in one-to-one meetings and in club meetings. They also had two dry runs of the application process, in 2006 and 2007, to ensure fairness and robustness in the process. All clubs applying for a super league licence confirmed that they agreed with the objectives of licensing and with the application and selection process. Clubs were entitled to appeal to an independent tribunal if they felt that the process was conducted unfairly. Decisions were made by an independent RFL board of directors after an exhaustive and extensive process.

As my hon. Friend said, there were four main criteria for assessment: facilities; financial stability and business management; player production; and communities, marketing and social strategies. My hon. Friend is obviously particularly interested in and concerned about the Widnes Vikings. I have to agree with him that it is a great club with a long and varied history, with many highs and a few lows along the way.

Derek Twigg: I invite my hon. Friend the Minister, perhaps the next time he is in the right part of the country, to take the time, within the demands of his itinerary, to visit the Widnes Vikings in the Stobart stadium, to see the amazing facilities that they have there, particularly the community development and the work that is taking place within the community, including with children and youngsters with difficulties and challenges.

Mr. Sutcliffe: I am happy to acknowledge the work that Widnes has done with Halton council and indeed I will try to get to the stadium. I have been to Leeds and Warrington to see the facilities and the tremendous work that is going on in the multi-sports clubs facilities there. Similarly, my hon. Friend mentioned in his speech the table tennis that takes place at Widnes too. I have no problem with how Widnes Vikings are run as a club and how they work with their local authority, and I appreciate the work that my hon. Friend does in trying to ensure that the club will grow.

Of course I sympathise with the situation that Widnes Vikings find themselves in and I appreciate how frustrating it must be for the club and their loyal supporters not to be playing in the super league now. However, I know that my hon. Friend will agree that the organisation of rugby league is essentially for the sport to manage and it is not for the Government to intervene.

I believe that the RFL has been diligent and fair in its decisions, although I will pass on the comments that my hon. Friend has made today, and I am sure that the RFL will look at the debate today to see what he has said and whether there are still any questions that need to be answered.

Derek Twigg: I understand the point that my hon. Friend the Minister has made, and I would not like to put him on the spot in any way. However, does he agree that if Widnes' financial situation—that of having gone into administration—was going to be the major stumbling block in achieving the super league licence, which has been confirmed by the RFL's chief executive himself, the RFL should have said that at the beginning? If it had, Widnes would not have bid in the first place and the club would have avoided going through a process that it was never going to win anyway, because of its former financial situation.

Mr. Sutcliffe: My hon. Friend tempts to get me personally involved in this issue, which I do not want to do. As I said, there was an opportunity to express any concerns in the discussions that were had with the RFL and in the dummy run process in 2006 and 2007. I know that there was a problem because Widnes went straight into administration, or insolvency, in 2005.

However, from what I have been told by the RFL, the licensing application process was a fair process. In all processes, there are winners and losers. My hon. Friend is aggrieved because he believes that Widnes are unfair losers. I will raise his concerns with Richard Lewis and Nigel Wood, but in my view it is for the RFL to run the league, and I think that it does so very well.

My hon. Friend said at the start that he did not agree with the franchise system. The RFL believes that licensing offers the best of both worlds. One national league club is guaranteed a place in super league in 2012, and with a three-year licence it will be given every chance of success,

[Mr. Sutcliffe]

thereby removing the yo-yo effect of clubs chasing and overstretching for promotion. We know in rugby league, as in other sports, that that has been a problem. All licences into super league were issued for three years and clubs will be judged on how well they deliver their agreed plans.

My hon. Friend mentioned Wakefield Trinity Wildcats. I can confirm that I have received the same information that he did: that the change in the plans for the new ground made no difference to the licensing application. That was not a consideration in relation to the licence.

Super league's licensing is one of the drivers for the development of new stadiums, which produces benefits for the community and, on game days, for spectators, players and officials. As my hon. Friend knows, Widnes Vikings finished sixth in the Co-operative national league one this season, and things are looking good for next season, both on and off the field, with nearly £10,000 worth of season tickets purchased already and a number of good player signings.

I also know that exciting plans have been mapped out for the national league for 2009 onwards, including a 150 per cent. increase in funding, live TV coverage every week, a weekly magazine, corporate website production and the inclusion of a French club, which will add extra vibrancy and interest to that national league. There will also be significant extra income for clubs from the Challenge cup.

Only two clubs can be admitted to the super league for next season, and inevitably other good clubs will miss out. However, the door is not shut and the players and fans of Widnes Vikings should be reassured and confident that, with their current management team in place, they will be in a far stronger position in two years' time, when the club can apply again for a super league licence. I wish the club really well in their endeavours.

Rugby league is a fast-growing sport and it is important that we try to give support to the national league and to the other leagues right across the country that rugby league has been developing. In the last two years, rugby league has experienced a 27 per cent. increase in participation, with almost 250,000 people currently involved as players, coaches, match officials or volunteers. The Active People survey reports that more than 110,000 people take part in rugby league at least once a month. Furthermore, in Halton, my hon. Friend's constituency, Sport England has invested £44,000 over three years in its contribution to a rugby league development officer, who is charged with getting more people to participate in rugby league in that area.

I am also pleased to say that participation among women and girls has also seen a healthy year-on-year increase of 42 per cent. There are now 579 girls registered with age groups from under-12s to under-16s, and the RFL runs festivals for girls fortnightly between March and October.

As my hon. Friend has said, it is important that football and rugby clubs become the heart of their communities. I know that the investment has gone in from Halton borough council to the Widnes Vikings club, to try to increase participation and ensure that more people are involved in sport, so I understand that it was a great disappointment to everyone concerned that Widnes Vikings did not get into super league. However, Widnes Vikings now have a position—a platform—to build on and hopefully they will be successful in the national league. Then they will be in a position to ensure that they do not return to the horrors of the past, particularly when they went down after their last game in the super league and became insolvent almost immediately. The club has turned that situation around and is now looking forward to the future, from the secure base that my hon. Friend has talked about.

I think that it is difficult for the RFL to put forward a process that it sees as fair and rational but that also withstands challenge. Where there are outstanding questions that my hon. Friend feels the RFL has not answered, I will certainly pursue those questions with Mr. Lewis and Mr. Wood. I must say that there will always be disappointments when we have this type of process. However, for the good of the game, it is important that we move forward.

11.30 am

Sitting suspended.

Learning Difficulties (NHS Treatment)

[JOAN WALLEY *in the Chair*]

2.30 pm

Mr. Richard Benyon (Newbury) (Con): It is a great pleasure to be under your watchful eye this afternoon, Ms Walley. I am grateful for this opportunity to discuss care for those with learning difficulties in the NHS. Only a few months ago, in a similar debate, I was fortunate enough to be able to raise the parallel issue of care for the elderly in the NHS. In that debate, I made a point that I shall repeat now for the record. Most of us receive excellent care in the NHS. It is an institution of which we are rightly proud and in which skilled and dedicated people respond superbly to the daily challenges that they face. However, as hon. Members' casework makes clear, all too many cases of neglect and failure in relation to two groups—the elderly and those with learning difficulties—show that there is a problem that must be recognised and acted on at the highest level of Government.

I am here today to give voice to the family of my constituent, Emma Kemp, who had a severe learning disability. She died in 2004 of cancer, not after months of chemotherapy or intensive drug treatments, but without receiving any treatment for it at all—and, until the last month, without pain relief—despite being given a 40 to 50 per cent. chance of survival when she was first diagnosed.

I will talk further in a moment about Emma's tragic story and her mother's brave campaign to ensure that it is not repeated for any family, but I start by acknowledging that society has come a long way in our attitudes toward those with learning disabilities. Thankfully, episodes such as the Mental Deficiency (Amendment) Act 1927, which defined people with learning difficulties in the most horrendous way, are in the past, yet Government policy has not gone nearly far enough to reduce the inequalities and discrimination faced by people with a learning disability. The discrimination that my constituent Emma faced is at odds with the values of the modern world and of the NHS. What is the point of the Government's talk about patient rights and an NHS constitution when even the most basic right to treatment cannot be provided for some of the most vulnerable people in our society?

Many hon. Members will recall that Emma's case was first highlighted in a Mencap report aptly named "Death by Indifference", about which I am sure we shall hear more in this debate. The report told not only Emma's story but those of five other people with a learning disability who suffered pain and died, perhaps unnecessarily, while in the care of the NHS. Mencap has worked ceaselessly with the families of those people and many others across the country, with PCTs and health trusts and in the media to raise the profile of those with learning difficulties and their treatment in the NHS. I have nothing but praise for the fantastic job that Mencap has done in supporting Emma Kemp's family and for its campaigning work.

Let me state clearly that this debate is not about knocking one or even six hospitals or GPs and clinicians; it is about facing up to a systemic failure. Understandably, the injustices revealed in "Death by Indifference" provoked a media and public outcry. In response to the criticism, the then Secretary of State for Health, the right hon. Member for Leicester, West (Ms Hewitt), to her credit, announced both a health ombudsman's investigation into the six individual cases and an independent inquiry to investigate the general health inequalities experienced by people with a learning disability.

Although we are still waiting for the health ombudsman's report, the independent inquiry chaired by Sir Jonathan Michael published its report just after Parliament went into recess this July. The report contained criticism of current practices and made a host of recommendations, many of which would have made a difference to my constituent Emma's chances of survival if they had been accepted practice at the time.

As I have said, Emma was a lively and loved 26-year-old with a severe learning disability who was living in a supported living environment close to her family when her mother noticed that Emma was losing her appetite. Emma's mother, Jane, for whom I have enormous respect, is one of those rare people whom one meets in such a role. She is a real campaigner and has been a fantastic witness in presenting the case for Emma and similar people throughout the country. Jane took Emma to a GP who, although Emma had not eaten for eight days, sent them away, saying that it might be a virus. Not satisfied with her daughter's diagnosis, Jane took Emma to her own GP, who advised that Emma be admitted to hospital. Despite Emma's obvious pain and distress, the medical professionals could not diagnose a physical problem. It was left to Emma's family to point out to doctors that Emma had a lump in her groin, which they had found while helping to wash her in hospital.

Emma's learning disability meant that she exhibited challenging behaviour. She was frightened of being in hospital and of being examined by doctors. Nevertheless, the doctor investigating the lump in her groin was able to take a biopsy under local anaesthetic. After that, despite the fact that Emma was still not eating, she and her mother were sent home from hospital with painkillers in oral tablet form, although it was understood that Emma could not swallow tablets. Once at home, Jane was left to chase the medical professionals for Emma's diagnosis. Finally, on 18 June 2004, Emma was diagnosed with type B1 lymphoma, which attacks the lymph nodes and can enter the bloodstream. The doctors gave Emma a 40 to 50 per cent. chance of survival but said that Emma's behaviour meant that they could not treat her.

What the doctors failed to understand was that due to her learning disability, Emma lacked the capacity to consent to treatment. Just because Emma was in pain and frightened of the treatment that the doctors wanted to give her did not mean that she understood the consequences of refusing treatment or that she was choosing to die. I do not understand why the doctors did not listen to Emma's mother, who demanded treatment for her daughter, or apply their own General Medical Council guidelines. The guidelines are specific. They make it clear that if a patient has no capacity to consent, doctors should make all attempts to make the patient as comfortable as possible so that they can be treated. The fact that one of the doctors could take a biopsy of the lump in Emma's groin is evidence that, with the right approach, it would have been possible to treat her. However, instead of receiving treatment, Emma was sent home—still starving, in immense pain and without a solution for providing her with pain relief.

[Mr. Richard Benyon]

Five days later, alarmed by Emma's continued distress, Jane brought her back to hospital, where she languished for a further two days without any pain treatment. By that time, Emma had also stopped drinking. So determined was Jane to protect her child from the pain that she instructed a solicitor to serve notice on the doctors to start pain relief. When even that made no difference, the solicitor started an action in the High Court, which had the desired effect. The hospital finally provided Emma with pain relief in a patch.

Emma's mother also demanded a second opinion, which showed that Emma had only a 10 per cent. chance of survival. Reluctantly, Emma's mother agreed to palliative care, which was provided through an excellent facility in the Newbury community hospital called the Rainbow Room. Emma died there on 25 July 2004.

As I said earlier, we are still awaiting the report from the health ombudsman, but it appears possible that the large reduction from a 40 to 50 per cent. to a 10 per cent. chance of survival may have been based not on the spread of the cancer but on the capacity to consent. Should that be true, it is indeed alarming.

Reading Sir Jonathan Michael's excellent report, it is easy to see what a difference his recommendations could have made to prevent the tragic delays and failure to provide treatment that I outlined. Two of his recommendations stand out. The first is:

"Family and other carers should be involved as a matter of course as partners in the provision of treatment and care, unless good reason is given".

As hon. Members know, had doctors listened to Emma's mother's instinct that there was something seriously wrong with Emma's health when she first stopped eating, who knows how early they could have caught the cancer? Mencap says that too often the parents and carers of people with learning disabilities are ignored by medical professionals, despite the fact that their knowledge is vital. It is they who live day in, day out with the individual with the learning disability, and it is they who will be the first to notice behavioural changes and be able to help to interpret non-verbal communications of pain and distress.

Another crucial recommendation of the inquiry states:

"Those with responsibility for the provision and regulation of undergraduate and postgraduate clinical training must ensure that curricula include mandatory training in learning disabilities. It should be competence-based and involve people with learning disabilities and their carers in providing training."

At the moment, medical professionals do not understand enough about people with learning disabilities, but understanding their health needs and the ways in which they communicate is crucial. Research commissioned by Mencap found that 75 per cent. of general practitioners had no training to help them deal with patients with learning disabilities and that 95 per cent. felt that a patient's learning disability made it more difficult for them to make a diagnosis. Even doctors acknowledge that they need to be given the confidence to intervene early and to take seriously the health needs of a person with a learning disability. In evidence taken by the independent inquiry, three quarters of health and social care professionals who responded mentioned the need for better education and training for staff.

Will the Minister tell us when we can expect to hear the Government's response to the independent inquiry? It made 10 very good recommendations. We have had good assurances from Ministers about it, but we want action and to know how the recommendations will be implemented. Mencap, the families of the six people whose cases were described in the "Death by Indifference" report, and many hon. Members are calling on the Government to accept all the recommendations in the inquiry. It is worth noting what the chief executive of Mencap, Jo Williams, said on the day of the report's publication:

"The independent inquiry proves that people with a learning disability are being discriminated against in the NHS, which is leading to unnecessary pain and death."

She continued:

"It is clear that there is a desperate need for mandatory learning disability training for all health care professionals, and for people with a learning disability and their families and carers to be at the centre of all decisions made surrounding their healthcare."

The health inequalities faced by people with a learning disability are not limited to Emma and the five other individuals referred to in "Death by Indifference". The Department of Health reports that there are 1.5 million people in this country with a learning disability, an estimated 40,000 of whom have a profound and multiple learning disability such as Emma's. People with a learning disability have higher health needs than the rest of us, yet many of them receive some of the worst treatment. For example, they are three times more likely to die from a respiratory disease, have a higher risk of coronary heart disease—the second most common cause of death among those with learning disabilities—and higher rates of gastrointestinal cancer and stomach disorders. We need to hear today what the Government will do to respond to this growing need.

Why the Government have taken so long to improve the services available to people with a learning disability is beyond me. In his first speech as Secretary of State for Health, a year ago, the right hon. Member for Kingston upon Hull, West and Hessle (Alan Johnson) admitted that people with a learning disability face some of the greatest health inequalities. What action has been taken to resolve such inequality? If the Government had taken action after Mencap's first report, "Treat me Right: Better Healthcare for People with a Learning Disability", published in 2004, which outlined the same types of inequality as those we are discussing today, how many lives might have been saved? That report made very clear and open recommendations, many of them very similar to those made in Sir Jonathan Michael's report. The independent inquiry states that

"leadership is essential to deliver policy effectively for vulnerable groups in society".

We want to hear from the Minister that the Government are stepping up to the call for leadership.

It is not only hon. Members here today who are concerned about the treatment provided to people with a learning disability. Back in May our very own Joint Committee on Human Rights published a report on the human rights of those with learning disabilities, and found that

"for many adults with a learning disability, the violation of their human rights is seen as a normal part of their everyday lives".

The Committee expressed concern that adults with learning disabilities in health and residential settings suffer neglect, abuse, discrimination and indifference. It also stated that

"the Department of Health could do much more to promote a culture change and a human rights-led approach".

It seems that once again we return to failures of leadership from the Department.

Debates on health inequalities are too often focused on dry statistics and numerical calculations of outcomes. What we have talked about today is a real human tragedy, and I hope that I have helped the Minister to understand the human cost of health inequalities. I leave her with the words spoken to my constituent, Jane Kemp, about her daughter, Emma: "If she had been a normal young woman, we would not hesitate to treat her." As Mencap said to me, such comments cannot be proved, because they were not recorded in health notes. However, just because discrimination and health inequalities are difficult to prove, does not mean that they do not exist.

I hope that the Government will take the recommendations of the independent inquiry seriously. We want to hear not just assurances and warm words, but whether the Government intend to implement all 10 recommendations, and if not, why not. If they do, how will that implementation be carried out, and on what time scale? I believe that the six families in the report, "Death by Indifference", deserve no less.

2.48 pm

Mr. Tom Clarke (Coatbridge, Chryston and Bellshill) (Lab): I sincerely congratulate the hon. Member for Newbury (Mr. Benyon) on obtaining this debate on this very important matter and on his very comprehensive speech. At times, it was very touching, particularly when he dealt with the important case study of which he quite rightly reminded us. This debate is about people and families and their concerns.

For some years, I have had the privilege, with Lord Rix, to Chair the all-party learning disability group. The input from Mencap and the support for our work is quite profound. I hope to turn to that in a few moments. First, however, I say to my right hon. Friend, the Minister, that nothing that I shall say in the next few moments takes away from what I think are the Government's quite incredible achievements in the field of disability over the past 10 years. In particular, I welcome her support for advocacy, which she has expressed on many occasions, and which is central to the many issues being debated.

Almost two years ago, the all-party group on learning disability met to discuss the Healthcare Commission's report into learning disability services in Cornwall. Some 18 months ago, the Disability Rights Commission, as it then was, spoke to us about the findings in its report, "Equal Treatment: closing the gap". Those reports addressed systemac failings—the hon. Gentleman has rightly used that term today—in the NHS regarding patients with learning disabilities. In his response to those reports, the Minister who then had responsibility for those matters, my hon. Friend the Member for Bury, South (Mr. Lewis), now the Under-Secretary of State for International Development—we congratulate him on his promotion and thank him for his great work in his former role—was quite trenchant in recognising the problems. He said that things were not good enough and that there was evidence of "systemic indifference". That is what we are addressing today.

There have been positive aspects to the Government's response to the report, as we will no doubt hear from my right hon. Friend when she winds up. In its recently published strategy on health inequalities, the Department stated that it plans to use the reduction of health inequalities for people with learning disabilities as a standard against which to measure improvements for all vulnerable groups. I strongly welcome that, and I hope that the Minister will bring us up to date not only on those plans but on the Government's thinking as we move forward.

The Government's independent inquiry, published in July, to which the hon. Gentleman has referred, points us in the direction in which we want to go. It recommended that the Department should

"immediately amend Core Standards for Better Health, to include an explicit reference to the requirement to make 'reasonable adjustments' to the provision and delivery of services for vulnerable groups, in accordance with the disability equality legislation."

As we have heard, however, the NHS has largely failed to make reasonable adjustments to ensure that people with learning disabilities are not discriminated against. Health care information leaflets are not produced in easy-read format and they do not reach people with learning disabilities, their carers or their advocates. In many cases, no side rooms are made available for people for whom the confusion of an open waiting room and ward would prompt challenging behaviour. As a result, individuals might become stressed and feel obliged to leave, and some will be unable to access the treatment that they need.

I accept that seeking a solution to such problems, making progress and ensuring that there is not a postcode lottery means investing resources. I must make the point again that it is deplorable that sometimes in Scotland, there is no evidence that funding that has been clearly allocated for specific purposes is being spent on those purposes. That applies especially in relation to the Barnett formula and in the field of learning difficulties. I understand that in addition to the £34 million for disabled children and their families that was allocated to the Scottish Government under the Barnett formula—we have previously debated that matter in this Chamber—a further £20 million was recently allocated specifically to the NHS in Scotland. We are still looking for evidence that that money has been going where it was intended to go. I shall not dwell on that issue, although I feel passionately about it, as it will probably be an ongoing issue in debates between the Scottish Government and the UK Parliament.

The hon. Gentleman talked about the work that many of us do with Mencap. Mine has introduced me to the numerous alarming episodes experienced in hospital by people who have learning disabilities. I warmly congratulate Lord Rix on the fantastic job that he has done on this issue, among others. He approaches campaigns with all his fervour, intelligence and experience. We must thank him and Dame Jo Williams for everything they do. I also thank the individual supporters of Mencap throughout the country, particularly parents and carers, who do so much to focus attention on these important issues through their involvement in campaigns such as the "Death by Indifference" campaign.

[Mr. Tom Clarke]

One story that emerged from Mencap's research was about Laura—an active, talkative and independent woman with a learning disability who went into hospital for an emergency operation. After the operation, she was visited by her carer, who became concerned that no matter how much she chatted to Laura, she did not say a word. The carer said:

"On the third day I asked one of the nurses if she knew why Laura wasn't speaking. She looked surprised and said: 'Can she speak?' I told her that Laura could speak as well as anybody else. There was no reason for anybody to assume otherwise. I went back in to see Laura and I offered her a pen and paper, thinking that she might be able to communicate with me that way. Laura couldn't even hold the pen. When I saw the pen roll on to the floor, I suddenly thought, oh my god, she's had a stroke."

It took doctors another two days to confirm that Laura had indeed suffered a stroke during her operation.

Mr. Benyon: The right hon. Gentleman is making a powerful speech. Laura's case is one of the most moving that one can read. It is in the "Treat me right!" report of 2004, but we are four years on from that. Does he agree that we have to start learning from such cases—and fast?

Mr. Clarke: Way back in 1986, when I was fortunate enough to be first in the ballot for private Members' Bills, the first person whom I met was Lord Brian Rix. Unfortunately, some of the issues that we are debating today were raised in that meeting and addressed in that Act. If I may say so, with great respect, I am not sure that it does any service to the cause that we are promoting simply to address these problems in relation to one particular Government as though they did not exist before. *[Interruption.]* Let me put on record that the hon. Gentleman appears to agree.

The independent inquiry also made several important points about the often sensitive health needs of children with a learning disability. They are particularly important in light of the fact that medical advances and neonatal care improvements mean that more children with profound and multiple learning disabilities and complex health needs are surviving into childhood. Of course, we strongly welcome that, but the health service must adapt to that reality.

I conclude by noting that the Government's aim of achieving equality, by 2025, for people with a disability is a worthy one. If we can do it earlier, that will be very welcome. If the Government were to adopt the recommendations in the independent inquiry, that would go a long way toward helping the Minister and her colleagues in other Departments to achieve their goals. In that, they have our full support.

3 pm

John Barrett (Edinburgh, West) (LD): People with a learning disability are 58 times more likely to die before the age of 50 than the general population. I was stunned when I read that horrific fact in a Mencap paper, as I am over 50 and am very close to a little four-year-old girl with learning difficulties called Maria. It leaves me fearing for her future, unless we can be sure that the NHS gives everyone equal service.

I should possibly declare an interest as that little girl is my granddaughter, and she would not be alive today were it not for the dedicated team at the new Edinburgh Royal infirmary, headed by Dr. Ian Laing. Her treatment and care have been second to none, partly because communication with newborns is to a large extent exactly the same, regardless of whether they have a disability. The parents and the medical team know how to get the information they need for the right treatment for that child. Unfortunately, the problems change as the child becomes an adult.

I congratulate the hon. Member for Newbury (Mr. Benyon) on securing the debate and on a powerful and emotional speech and the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) on his excellent contribution.

Today we heard stories of patients who died because they were not listened to or understood. It might be more difficult to communicate with some people than with others, but that can never be an excuse when deciding on their treatment. Anyone who has witnessed an accident and emergency unit at a major hospital at the weekend, when drunks who have self-inflicted wounds clog up the system and sometimes attack the doctors and nurses, is amazed at the patience and tolerance of the staff while they establish exactly what treatment is required. We need that level of understanding and patience delivered to everyone with a learning disability. It is not too much to ask, and indeed, anything less is completely unacceptable.

Some of the examples supplied by Mencap, whose work I highly commend, highlight the problem we face. People have been left for days or weeks to suffer in pain, often in extreme agony, and some of them eventually die. Mencap gave many examples; one was that of Mark, who was admitted to hospital with a broken leg, only to die after eight weeks of suffering. I mention that case because NHS staff are experts in the reduction and management of pain.

When my mother was being cared for at home while suffering from terminal cancer, we were told that she need not suffer as the pain could be brought under control. When people with cerebral palsy were asked how the condition affected their quality of life, they claimed—to the surprise of many—that the No. 1 issue was not the problem of communicating or walking, but the pain: if the pain was controlled, life could be far more tolerable, but if it was not, life could be a nightmare. That is why good communication is at the heart of the debate. Those with learning difficulties may have associated problems for the rest of their lives, but they should not have pain, and the treatment they receive in the NHS should be of the standard that we expect for everyone else.

The hard evidence that people with learning disabilities face health inequalities is simply overwhelming. From the Joint Committee on Human Rights to the independent inspection bodies who regulate and review the provision of health and social care, everyone accepts and agrees that we are facing a genuine problem. For people between the ages of 20 and 29 with a learning disability, mortality is nine times higher for men and 17 times higher for women. Forty per cent. of people with a learning disability have hearing problems. People with a learning disability are more likely than the general population to be either underweight or overweight.

In July 2006 the Healthcare Commission and the Commission for Social Care Inspection published their joint report into the abuse of people with learning disabilities in the Cornwall Partnership NHS Trust. Inspectors found evidence of 64 incidents of abuse in the five years to October 2005, including staff hitting, pushing, shoving, dragging, belittling, mocking and goading people who used the trust's services. They also found incidents of staff withholding food, giving cold showers and making over-zealous or premature use of restraint—the list goes on. The families of those with a learning disability and carers were not involved in the delivery of services, yet staff routinely made decisions about almost every aspect of their life—whether they could go outside, which cup was to be used, how they spent their money and who lived with whom. The Healthcare Commission and the CSCI made a damning assessment of the failure of the whole system to protect adequately the people in its care, identifying a "whole system failure."

In the Sutton and Merton Primary Care Trust, the finding of the report on learning disability services showed that they were similarly concerned, with institutional abuse being prevalent in most parts of the learning disability service. The report stated that

"the model of care was largely based on the convenience of the service providers, rather than the needs of the individuals."

The situations in Cornwall and in Sutton and Merton are by no means unique. The excellent independent inquiry found that there had been appalling examples of discrimination, abuse and neglect of people with learning disabilities across the range of health services. Those examples all underline our systematic failure to provide the proper framework, the adequate training and the proper inspection regime needed to provide the basic levels of care and support that those with severe learning difficulties deserve.

As hon. and right hon. Members will know, the new Care Quality Commission will take over the functions of the Healthcare Commission, the CSCI and the Mental Health Act Commission. It is absolutely vital that the new Commission has the teeth and independence to make a real impact on the standard of health treatment given to vulnerable groups such as those with learning disabilities. Recommendation 7 of the independent inquiry highlights the importance of greatly improving the monitoring of the standard of general health services provided for people with learning disabilities. I look forward to hearing from the Minister today that that will be the case.

3.6 pm

Angela Browning (Tiverton and Honiton) (Con): I congratulate my hon. Friend the Member for Newbury (Mr. Benyon) on securing the debate. It was extremely moving to hear his account of Emma and the experience of her mother, Jane, in trying to get the right treatment for her.

I welcomed the setting up of the independent inquiry back in 2007 and the publication over the summer, but we should remember that some of the inquiry's recommendations are the same as those set out in the Government's own document, "Valuing People", which was published as long ago as 2001. Although I do not want to fall foul of the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke), whom I respect greatly for his knowledge and care in these matters, the purpose of today's debate is surely to seek an assurance from the Minister that those ongoing problems and distressing matters will be addressed in such a way that we can all feel that progress is being made, and the parents and carers of those with a learning disability can feel more confident that their children are in touch with the statutory services and will be treated equally, with real understanding of their particular needs and how they can be supported.

I was particularly concerned that the independent inquiry found that very few nurses specially trained in learning disabilities were working in the NHS, as they are often the main point of contact for those with a learning disability, as we have heard this afternoon, and that is also the case with primary care services. Learning disability liaison nurses assist with admissions, help to assess needs and give help and advice to ward staff on meeting the needs of patients with a learning disability. As the inquiry states, they can challenge preconceived notions of learning difficulty and help to ensure that the patients' lives are valued. The presence of those nurses can have a significant impact on the quality of the treatment provided to an individual with a learning disability. Will the Department of Health act on the inquiry's recommendation that the work force of those nurses be strengthened?

The inquiry also recommended that annual health checks be brought forward for everyone with a learning disability, and although I am pleased that the Government last month announced that they would be brought in as part of the GP contract, I wonder why it has taken the Government so long to introduce them when the evidence that they work has been available for some time. For example, a study of annual health checks in Australia revealed a sixfold increase in the detection of conditions such as visual impairment and in the take-up of immunisation.

We have heard some harrowing accounts concerning individual people who were mentioned in the Mencap "Death by Indifference" report, which prompted the Government to set up the independent inquiry. Sadly, those are not isolated cases. After the publicity that the report received, the charity Mencap was contacted by a large number of people who wanted to share their stories about the experiences of people with a learning disability when accessing mainstream health services. The accounts that we have heard today, of Emma, Laura and Mark, are not isolated cases. I was particularly struck by the case, in the report, of Sara, a young woman who ended up with an 8 cm brain tumour. When she presented with symptoms she was merely given paracetamol and when it was eventually discovered that she had a brain tumour it was much too late to operate.

What struck me about the personal accounts that we have discussed was that all the people involved had parents who were by their side speaking on their behalf; presumably they were worried out of their minds—but there were people there to be advocates. I have raised that point in other debates about other forms of disability, and in particular, as hon. Members will know, about people on the autistic spectrum. We all understand that when professionals—doctors and others—come across someone whom they are treating for a physical condition,

[Angela Browning]

who presents with behaviour that is sometimes challenging and sometimes merely what I would merely describe as rather strange, or with a particularly high pain threshold, which is not uncommon in the relevant group, it is quite a challenge to get beyond that to identify the physical condition and the appropriate pathway.

We all understand the time pressures on such professionals. However, as the hon. Member for Edinburgh, West (John Barrett) said, it is a matter of communication and of giving the individual patient the time needed to get beyond what is presented. The fast track to doing that, if a parent is with the patient, is to listen to parents. Unfortunately—although I do not think that one should apologise for the fact—parents in such stressful conditions are sometimes quite emotional, and I worry that professionals, including quite experienced doctors, sometimes find their distress and emotion difficult to deal with. Perhaps instead of addressing that distress, those professionals are led by it to ignore key things to which they should give more time. However, none of that excuses the situation that we have been discussing. There is a real need to deal with it. I hope that nurses with experience in learning disability can help to be the bridge between the parent, the patient and the health professional.

Of course, not every patient has with them a close relative or carer who can explain how they normally behave, their difficulties and how they present themselves to many people. That applies particularly as people get older. People with learning disabilities get older as the rest of us do, and they may not have a close person who knows them well enough to advocate for them. As hon. Members know, the Mental Capacity Act 2005 established an independent mental capacity advocate service—the IMCAs, as they are called. I served on the scrutiny Committee for the Mental Capacity Act 2005, and on the Bill Committee, and I clearly recall, because it was only three years ago, our conversations in Committee about how the advocacy service would help to solve the problem for people in exactly the situation I have described, with no one to speak up for them or articulate their concerns. The Act also introduced a legal duty on NHS and social care staff to refer eligible people to the IMCA service.

The advocates provide a real chance to redress the health inequalities experienced by people with a learning disability, as they act as champions for those who would not otherwise have a voice. Sadly, however, as the Department's report found, referrals from medical professionals

"for Serious Medical Treatment are particularly low across the whole country, raising concerns about the extent to which the NHS is, at present, complying with the requirements of the Act."

That does not require a lot of research or any new legislation. It concerns something that is on the statute book now. I particularly hope that the Minister will act today: if an NHS body is not putting into place what statute requires, that should be addressed extremely urgently.

Mr. Stephen O'Brien (Eddisbury) (Con): My hon. Friend is making a powerful speech. Advocacy is a strand of concern that runs right across the health and social care services and we have been examining it for many years. In particular, in relation to advocacy for the group of people we are considering, has any thought been given to whether the advocacy service could have some teeth—some sanction to help to prompt action, rather than simply recommendation?

Angela Browning: I agree with my hon. Friend. The same report continues by saying that

"doctors do not agree with the statutory duty to make referrals. They choose to disregard it".

That is outrageous and unacceptable. They do not have an option; they are disregarding the requirement. The fact that it is mentioned in the report needs to be addressed as a matter of urgency.

Another issue that I want to deal with is that of people with a learning disability being prescribed anti-psychotic drugs inappropriately—as a chemical cosh. Between 20 and 60 per cent. of people with a learning disability are given psychotropic medication not as a treatment for a mental health problem, but as a medical restraint. Okay, nowadays, we have chemicals and medication that will carry out that purpose; but if it were suggested that patients should be restrained physically, rather than chemically, there would be outrage, and people would march on this place—rightly. However, a doctor can write out a script and medication can be given to the patient to keep them quiet. We understand that there are difficulties with behaviour, other patients to consider and other considerations. However, again those facts do not give an excuse for using medication in that way. The complications associated with those drugs can have serious implications for the overall health of the individual who takes them. I hope that the Minister will deal with that.

Finally, I know that the Minister's predecessor, the hon. Member for Bury, South (Mr. Lewis), now the Under-Secretary of State for International Development, declined to widen the Department's current review into the prescribing of anti-psychotic drugs. A report is already under way on their inappropriate use for people with dementia. It would be very welcome if the Minister agreed to broaden its scope to take in people with learning disabilities. I urge her to reconsider the matter.

3.19 pm

Martin Horwood (Cheltenham) (LD): I welcome many of the comments already made by right hon. and hon. Members, and congratulate the hon. Member for Newbury (Mr. Benyon) in particular on securing the debate and sharing with us Emma's powerful story. Sadly, I, too, speak as the MP for a family who were failed by the services that are supposed to provide for us in our moments of greatest need. I also speak as someone who is appalled that in this day and age someone can be left in pain—ultimately to die—because they have a disability. I want to say at the outset, not least as the husband of an NHS professional, that I do not believe that there was any malicious intent at any stage on the part of school or NHS staff. Yet the system failed in the most horrific way imaginable. In practice, competent staff, whatever their intentions, discriminated in the care that they gave.

Tom Wakefield was a humorous and sociable young man and a well loved son, brother and twin. He was born with profound multiple learning disabilities but

could understand speech and was able to communicate using facial expressions and arm movements. He needed support in most things in his life, but gave plenty of affection and humour in return. I am in absolutely no doubt that Tom Wakefield would be alive today if he had not had a disability.

Tom was in a residential school in Oxfordshire and had a very close relationship with his family, including his twin sister, Judy. However, as the time came for Tom to leave his school, his family found that no plans had been made to find him an appropriate placement. At the same time, Tom's health was deteriorating; he was losing weight and expressing signs of pain and distress. Tom's mother, Sara, describes calling the school every evening to find out how her son was and hearing him crying in pain, each night for months on end. She kept raising her concerns about Tom's health but she was told that his problems were behavioural, not physical.

Attempts to get Tom's GP to listen to Tom and respond to the pain that he was in failed. Tom's GP did not listen to Tom's mother, Sara, and investigate why Tom was in such distress. From my own background in a dementia charity, I know how important it is for professionals to value the unique bond that people with communications difficulties have with their carers and their families, and for the insights of their families to be listened to and acted on.

Eventually, Sara got Tom to an outstanding specialist, Dr. Julian Amory, who recommended investigations into his oesophagus to see if that was the cause of his pain and distress, but those investigations were never carried out. Problems with digestion are common in people with profound learning disabilities and can be managed well, but only if they are investigated and diagnosed.

In the autumn of 2003, Tom's health was deteriorating and his behaviour was getting worse too, as might be expected given the pain that he was in. The school gave him six weeks' notice to leave. Social services then found him a place in an NHS in-patient facility in Cheltenham's Delancey hospital. The family were not persuaded that this was a good idea, but they were at least told that medical assessments would be carried out and they might discover why Tom's health was declining so rapidly. However, the ward was a psychiatric ward and, once again, no physical investigations took place. Tom was no nearer receiving a diagnosis for his increasing pain and he received no pain relief treatment. His health and behaviour deteriorated further. I think that hon. Members will agree that his story, by this stage, is the stuff of nightmares.

Tom was in such serious pain at this point that the only way that he could express it was to use his fingernails to scratch his head so hard that he drew blood. His family were desperate to get him help, but they were unable to get the health or social care professionals who were involved in his life to respond.

Finally, after two and a half months, a place was found for Tom at Prospect Place in Cirencester. In an all-too-rare example of good practice, staff there quickly realised that he was in serious pain and was physically very unwell. They had him admitted to Cheltenham general hospital, where he was found to have an ulcerated oesophagus. If Dr. Amory's recommendations had been followed, that problem would have been discovered years before and action could have been taken in time. By this stage, however, Tom's oesophageal tract was in a bad state. It would have been causing him intense pain and distress for a long period of time and it would also have made it very difficult for him to eat. A feeding tube was put into his stomach, to try to get much-needed nutrition into him. Even then, that tube was removed and Tom was left for long periods of time without appropriate food and nutrition. Tom's twin sister, Judy, recalls desperately trying to get the consultants in the hospital to see how valuable his life was, explaining that the young man in the hospital bed was "the other half" of her, with a life equally worthwhile.

Tom Wakefield died of aspiration pneumonia and reflux oesophagitis in May 2004. His family were forced to watch him suffer for two and a half years, unable, until the end, to get any health professional seriously to investigate what was wrong with him and make efforts to help. Tom was passed from hand to hand, with professionals finding it impossible to take responsibility. All the while, his family continually fought a system that was supposed to be caring for him.

When Tom's family entered the complaints process, in an attempt to get justice for Tom, they found that the discrimination that he had experienced in his life continued after his death. The Healthcare Commission's response to their complaint suggested that Tom could not have expected better, stating that

"individuals like Tom are unique"

and

"the medical needs of disabled people like Tom with complex physical and mental issues are rarely well met by generic services".

Do we have a national health service that is unable to meet the needs of an entire section of the population because their needs are too complex? I do not believe that that is acceptable and I am sure that the Minister does not think it is either, not least because Tom's needs were not "unique". Indeed, the numbers of people with profound and multiple learning disability is increasing. All such people need to be able to access health services to keep them well, and the NHS needs to respond to the increase in their numbers. It is not acceptable to assume that specialist services will always fill the gap. People with a learning disability must be able to access mainstream as well as specialist health care, or in some cases we will be condemning them to no health care at all.

It is impossible to listen to Paul, Sara, Judy and Richard Wakefield and not be touched by the bravery that it has taken, and continues to take, for them to share this awful episode in their lives with the world, knowing that it will not take away what they have been through, but doing so in the hope that it might bring about change in the future for disabled people and their families. Mrs. Wakefield continues to work with profoundly disabled children in Cheltenham and, along with the rest of her family, she is determined that what happened to Tom must not be allowed to happen to anybody else.

Tom's story was the germ for Mencap's "Death by Indifference" campaign, and I would also like to pay tribute to Mencap for its exceptional work on this issue. My hon. Friend the Member for Edinburgh, West (John Barrett) referred to an earlier Mencap report and in 2006 the Disability Rights Commission highlighted the fact that people with learning disability were not receiving equal health care. The evidence of poorer health and poorer health care was already mounting, but it was not

[Martin Horwood]

enough to prompt action. It was not until this inequality was thrust into the light by stories such as Tom's that this issue really received the attention that it deserved.

In response to "Death by Indifference", an independent inquiry was established and that inquiry has now reported; I commend the report to the Minister. It confirms what many people have been saying for a long time—that people with a learning disability are not receiving equal health care—and makes strong recommendations about what needs to change. In my view, the overarching message from the report is that, despite reams of legislation and policy, the NHS is still not meeting its obligations to people with learning disabilities.

With good training, some of the steps that need to be taken are astonishingly simple. For example, there should be longer appointment times, to give health professionals time to communicate properly with their patients who have a learning difficulty. Tom could answer yes/no questions with very clear arm gestures, but his family found that the vast majority of doctors and nurses did not have time to communicate directly with him, despite the family's explanations of his means of communicating with them. Those health professionals needed to take more time to understand Tom and to communicate with him on his own terms.

As my hon. Friend the Member for Edinburgh, West said, communication is key to every doctor-patient relationship. However, as is the case with people with dementia, more creative ways are needed to understand patients with a learning disability who find speech difficult or who do not understand how to explain their symptoms. If any of us were in hospital following an accident that left us unable to speak, we would rightly expect our doctor to make every effort to discover what was wrong, to read other signs and to use tests to rule out serious problems, but no one tried to rule out serious problems in Tom's case. Tom could not tell the doctors that he was in pain, or where the pain was, so his pain was ignored. He needed health professionals who would not simply dismiss his changes in behaviour as part of his learning disability but who would instead ensure that any physical causes of distress were eliminated.

Tools such as the disability distress assessment tool, or DisDAT, which was developed in St. Oswald's hospice in Gosforth, use the knowledge of family and carers, with careful observation of patients with profound and multiple learning disabilities, to enable health staff to spot signs of distress and ensure that pain can be identified and managed.

I was delighted to see Sir Jonathan Michael recommending in his report that families should be included as a matter of course as partners in the provision of treatment and care. If Paul and Sara Wakefield had been listened to, their son might well be alive today. The Department of Health needs to ensure that the involvement of family, as recommended by Sir Jonathan, is embedded into practices across the NHS.

Tom's story also highlights the interconnected failures that people with a learning disability and their families often face. Tom's father had to give up his permanent teaching job to find his son a suitable place to live when he left school, and even with that sacrifice the hospital that Tom was sent to initially was a totally inappropriate stop-gap. Tom went there because, despite years of warning, social services had not found the time to plan where he could go after he left school. It was left until the situation reached crisis point and then this vulnerable young man, whose health was going downhill fast, was, frankly, dumped in the only place that had space for him. Only later was Tom cared for, diagnosed and noticed in a way that his parents had sought for so long, and it was only then that they discovered that he was a very ill young man.

Speaking to his family today, I know that they are still understandably angry, but they are also increasingly impatient. I call on the Government to accept the recommendations of the independent inquiry in full. Training and the involvement of families are, for me, the absolute top priorities. Therefore, I also call on the Government to ensure that they respond separately to those specific matters, so that this issue does not slip from the radar and the report does not become another dusty report on a shelf. It should lead to real change, and we should all know when that change will take place.

3.29 pm

Sandra Gidley (Romsey) (LD): I congratulate the hon. Member for Newbury (Mr. Benyon) on introducing this debate, which has been very moving. The fact that there have been so few interventions indicates how powerful some of the speeches have been.

Debates such as this are often prompted by constituency casework, but the individual stories we have heard today are probably indicative of a wider problem. We have heard the stories of Emma and Tom, and there are other cases in the report. I was taken by the story of Warren, who died aged 30 following perforation of the appendix. His mother and father repeatedly asked the doctors who visited him whether he had appendicitis or a blocked bowel, but they were told that he had a virus. Warren died on 25 September 2004. He had a severe learning disability and very little speech, but he could make himself understood to his family.

A powerful theme developed today is one of families being ignored, and we ignore it at our peril. I have come across the ethos many times in constituency cases of people with a lesser learning disability, but it does not always involve dismissing problems as part of the condition. Sometimes the problems are caused by professionals viewing the person as an adult who has rights but taking no account of the fact that that adult might have a low mental age. One would not necessarily treat a six or seven-year-old without recourse to their parents, who might understand their condition. Factors in society such as political correctness sometimes militate against best practice.

The two most powerful comments today were made by the hon. Member for Newbury, who said that the doctors did not listen to Emma's mother, and by my hon. Friend the Member for Cheltenham (Martin Horwood), who said that Tom would be alive today if doctors had listened to Paul and Sara Wakefield. One cannot dismiss those examples as individual cases because similar problems were uncovered in the Cornwall Partnership NHS Trust and the Sutton and Merton primary care trust. Again, the behaviours uncovered were bad enough, but the problems in those cases had been raised by parents, carers or friends. The biggest

scandal is that it took the authorities such a long time to listen to them, to investigate properly and to start to do something. Many people were involved.

We heard some facts about learning disability, but it is worth repeating them briefly for the record. People with learning disabilities have poorer health and receive poorer health care than the general population. My hon. Friend the Member for Edinburgh, West (John Barrett) opened his comments by saying that a person with a learning disability is 58 times more likely to die before the age of 50 than someone from the general population. In some respects, the problems are the same as for mental health. Health professionals often do not see beyond the initial diagnosis to the problems underneath. That goes back to fundamental problems of lack of training specifically in dealing with people with disabilities.

People with learning disabilities are also more likely to have health conditions such as epilepsy, heart disease, gastrointestinal problems and cancer. They are more likely to develop mental illness and Alzheimer's, and are much more likely to have problems with weight. It really is not much fun.

I pay tribute to the work done by Mencap, in particular the "Death by Indifference" report. It highlighted the extent of the problem and led to the independent inquiry mentioned by previous speakers. The inquiry, conducted under the leadership of Sir Jonathan Michael, confirmed that people with a learning disability are not receiving equal service and that legislation designed to ensure equality is not being followed. The report made a series of recommendations, and, understandably, Mencap is keen to have all of them adopted.

The inquiry took the view that much stronger action is required at all levels to deliver equal access to routine health care services, including ill health prevention, health promotion and timely action to address general health problems. I shall briefly mention some of the findings of the inquiry.

Problems of access have been mentioned, but a fundamental underlying problem is that trusts and the people who are delivering services do not seem to realise that it is their responsibility to make reasonable adjustments to support the delivery of equal treatment. They say that they are not discriminating—they feel that they are treating everybody in the same way—but they do not realise that the required method of delivery or communication may be different, and that neglect in that category means that people are not actually receiving the service that they need.

The biggest problem identified is that parents and carers are often ignored. If the Minister does little else today other than undertake to deal with that specific problem, many of the other measures will follow. The inquiry found that there is limited knowledge among health service staff and that there is a strong need for training and education. Partnership working is poor, so there is little joined-up thinking between health and education providers.

It was not in the report, but my hon. Friend the Member for Cheltenham highlighted the problem that often arises when people with learning difficulties transfer from child services to adult services. There is often a gap—a lack of forward planning. Hampshire county council has just introduced a slightly bizarre system in which the transition worker is somebody who does not know the person who has been under the care of the local authority for 18 years. I find that hard to understand.

Witnesses described appalling examples of discrimination, abuse and neglect across the range of services, particularly in primary care. We often look at the more acute end of the spectrum—secondary care—in which the horrible examples that we heard today happened, but much that happens in primary care could be improved to make the entire experience much better.

We lack data on this group of people and their experience of services. Depressingly, we do not need more legislation, for there is plenty of legislation and guidance. The problem, as highlighted by the hon. Member for Tiverton and Honiton (Angela Browning), is that people are being ignored. She said that doctors disregard their duty. There are ways to take action against those who are guilty of dereliction of duty, but people are too busy fighting the system to think of doing that.

I do not wish to be entirely negative because there are examples of good practice. In Westminster, local enhanced schemes are being developed. In Bristol, a learning disability specialist provides input to public health teams. Torbay has a record system that highlights someone who has a communication problem, and Sheffield and Gloucestershire have a traffic light scheme that signals special needs. There are other examples, but I do not have time to go through them all. Good things are happening, but we need to find a way to spread best practice. That is something that the national health service does not do very well anyway, but it seems to be particularly poor in this area.

Some of the recommendations made have been mentioned. It would be helpful if, when the Minister sums up, she could give some indication of what notice the Government are taking of the recommendations, particularly those to do with training in learning disabilities. It should be mandatory not just for doctors but for all health service workers. Are there any plans to provide such training?

Are there any plans to collect data? How will parents and families be involved, and what onus will be put on PCTs to identify and assess the needs of people with learning disabilities and their carers? If PCTs do not know what needs to be done, they will not commission services.

Does the Minister have any plans for a confidential inquiry into premature deaths among people with learning disabilities? Many charities have called for one. There were other recommendations but, again, time precludes my mentioning them.

I just mention "Valuing People", which was published in 2001. The hon. Member for Tiverton and Honiton discussed that valuable and useful document. It dealt with people having rights and the importance of their being included in local communities, having choice in daily life and having real chances to be independent. There has been some good initial work, but there are many signs that efforts are almost going into reverse because of financial pressures on local authorities.

I conclude with an article that sums up the situation. A lady called Jean Wilson, who is a carer, says that she "has a PhD" in the breadth of the challenges that she has faced in trying to secure adequate health care for her daughter, who is now 38. She stated:

"We get to go to the best London teaching hospitals, but still we get aggravation...It's about accessibility, understanding and language, but it's more about attitude. We were recently waiting in

[Sandra Gidley]

a corridor for a blood test and Victoria was yelling a bit. I heard the technician say to a colleague: 'I'm not having that in my room.'

There was a time when I would have smacked round the head with my handbag, but I've learned to behave myself. I just walked up to him and said: 'Have you got a problem with my daughter? Because if you have, I am going to go away to find your chief executive and discuss your discriminatory practice.' I find that works wonders."

None of us would have blamed her if she had smacked him round the head with her handbag, but to avoid that in future it would be helpful if the Minister told us how she is going to tackle the problem.

3.40 pm

Mr. Stephen O'Brien (Eddisbury) (Con): I, too, congratulate my hon. Friend the Member for Newbury (Mr. Benyon) on securing this important and timely debate. He mentioned that over the past few years he has supported his constituent, Jane Kemp, during the still ongoing complaints process into the death of her daughter Emma. We heard a moving account from my hon. Friend. Likewise, the other hon. Members who have expressed their testimony on behalf of their constituents are in a similar position.

My hon. Friend's speech, and other hon. Members' contributions to this vital debate, will, like all other speeches in this place, be recorded word for word for ever, but unusually, unlike so many of the speeches made in the House, those made today will also have the added merit of being memorable and therefore influential in terms of trying to shift the whole legislative, statutory and attitudinal basis for making improvements as we go forward.

In the Chamber today are two Members of Parliament from Scotland, where many such matters are devolved, and are acknowledged as such. It is important that we see the universality of the issues and recognise that, although our responsibility in this Chamber is effectively under English jurisdiction, there is cross-reference that is valid and important.

Given that this debate is substantially concerned with the independent inquiry into access to health care for people with learning disabilities, by Sir Jonathan Michael, published in the recess, and given that the inquiry report's 10 recommendations apply to the Department of Health, or to its sphere of influence, and given the seriousness of the failings—involving people's lives—that the inquiry is seeking to reverse, it is vital that the Health Minister, who is here listening, is also here to act. As a former Treasury Minister, she knows more than most how to flex the channels and influence the Government to find the necessary funds to support the action called for today. I am much encouraged that she is the Minister answering the debate.

During his speech, my hon. Friend the Member for Newbury mentioned the importance of training for doctors and nurses in how to engage with and meet the health needs of those with a learning disability. There is clearly an advantage to both undergraduates and those already registered having meaningful contact with individuals with a learning disability and their family carers to improve their understanding of what it means to have a learning disability.

I, too, pay tribute to all that Mencap has done over many years, under the initiative and leadership of Lord Rix and also, more recently, under Dame Jo Williams, whom I first met when she was in charge of Cheshire social services, when I was first elected. I pay tribute to her, and all her colleagues, not least because of their influential "Death by Indifference" report.

Mencap has highlighted the case of Cathy, who has Down's syndrome. Cathy visited an audiologist for a hearing test, as she had experienced a little discomfort. That should have been a routine procedure, but, sadly, as the audiologist did not know that people with Down's syndrome have short, straight ear canals, he pushed the otoscope too far into Cathy's ear and perforated her eardrum. It was not possible to repair the perforation and Cathy has had to wear a hearing aid ever since.

My hon. Friend the Member for Tiverton and Honiton (Angela Browning) mentioned the Government's recent announcement that the provision of annual health checks for people with a learning disability will be one of the five new categories of directed enhanced schemes included in the general practitioner's contract. That is good news. However, as my hon. Friend said, the evidence for the positive impact that annual health checks can have on the health of people with a learning disability has been clear since 2001. The Australian evidence that she cited has given us confidence that it is effective.

The Welsh Assembly has provided a financial incentive to GPs to introduce regular health checks for people with a learning disability since April 2006. Initial findings are that, in the first year, 51 per cent. of those with a learning disability who received a health check had a newly identified health need and 9 per cent. had a serious health problem. Subsequent checks a year later identified further new health needs among 68 per cent. of those tested and serious problems were identified in 11 per cent. of those people.

Some primary care trusts, such as the one in Birmingham, have already commissioned directed enhanced services in their areas to provide annual health checks. In Birmingham, out of 1,500 health checks, 205 previously unknown health problems were identified.

Bearing all this in mind, it is no surprise that, back in 2001, the Government first acknowledged the value of annual health checks in their policy paper, "Valuing People", which hon. Members have cited. Some 18 months ago, the Government said:

"We agree that health checks are the most effective way to improve the health of people with learning disabilities".

Therefore, the Department of Health has known for a long time what is needed to ensure that people with a learning disability get equal health outcomes—indeed, it has known for seven years. Despite all the evidence that such provisions would have a major impact on addressing health inequalities faced by people with a learning disability and that those would have helped them overcome the barrier of access and entry into the health care system, the Department did not give priority to ensuring that good practice was implemented until just last month. We had been questioning the Government about how they were dithering. Let us acknowledge that the implementation has now happened and let us hope that the Minister will say that they will not dither over certain matters that we have identified and that they will go forward.

In July 2006, the then Secretary of State for Health was asked the following question:

"one of the important recommendations in 'Valuing People' back in March 2001 was that everyone with a learning disability should have received a

'Health Action Plan by June 2005.'

Will the Secretary of State say whether that has indeed happened? If it has not happened yet, when will it have happened?"—[*Official Report*, 11 July 2006; Vol. 448, c. 1257.]

The right hon. Member for Leicester, West (Ms Hewitt) responded, saying:

"I understand that some areas have put those in place for all people covered by the recommendation. However, that is not the case universally".—[*Official Report*, 11 July 2006; Vol. 448, c. 1258.]

I hope that the Minister will tell us in a moment whether, two years since that exchange and seven years after the promise was made, health action plans have been rolled out across the country. If not, will she agree to write to me, listing the places where they have and have not been put in place?

The impact is clear. For example, people with learning disabilities and other health problems, such as diabetes or stroke, such as the moving case that we heard about from the right hon. Member for Coatbridge, Chryston and Bellshill (Mr. Clarke), have fewer measurements of their body mass index taken than others with diabetes, and those with stroke have fewer blood pressure checks than others with stroke. They often experience diagnostic overshadowing, which is when reports of physical ill health are viewed as part of the learning disability and may not be investigated or treated.

A central principle of our NHS is that care should be available to all, free at the point of use and according to need, not ability to pay. Yet for those with a learning disability access to services is often far from ideal. I pay tribute to the work of Diabetes UK with Speakup, the self-help and advocacy charity, to produce accessible information and education to ensure that people with learning disabilities are able to have their health needs met by primary care services: GPs, practice nurses and other staff. Diabetes UK and others are calling for work towards improving early intervention for high-risk groups and flexible and integrated care packages for vulnerable people with diabetes. I hope that the Minister will outline what work the Government are taking forward in those areas.

Part of the problem is that, as usual, the Government are avoiding collecting the data needed to be able to assess accurately the health inequalities experienced by people with a learning disability. For example, as my hon. Friend the member for Tiverton and Honiton commented, the independent inquiry calls for an increase in the number of learning disability liaison nurses and health facilitators. Can the Minister tell us how many there are at the moment? I suspect that she will have to say, "Of course not." Can the Minister tell us how many of each are on permanent and fixed-term contracts? Again, I fear that she cannot. Can she even tell us how many NHS trusts have a disability equality scheme or how many people with a learning disability have a health action plan in place? I fear that she cannot. There is a grave danger that by not collecting information centrally we do not have the data on which the relevant action can be taken under ministerial direction and guidance. There is a mismatch between aspiration and the data required.

One reason why people with a learning disability seem to face such health inequalities might be found in the fact that 30 years ago at least 60,000 people with a learning disability lived in long-stay hospitals. Although those numbers have been reduced, many of the services that are needed to replace them, in the community, have not come through and have not been available. Poorer people, in particular, experience difficult access and poorer health outcomes. I should be grateful if the Minister stated explicitly how the Government will respond to each of the 10 recommendations in the Michael report. I shall not list them because they are well known, and I prefer to give the time to the Minister for her response.

An important point was made a moment ago about the 18-year-old cliff edge, and I want it to be well understood. I look forward to the Minister's response, and hope that she will implement the independent inquiry's recommendations, which we have discussed, as well as the full involvement of families—we heard about that especially in the case of Tom, described by the hon. Member for Cheltenham (Martin Horwood). Let us ensure that the medical profession conforms to its statutory duty, and thus enables advocates to have teeth.

Many families of people with learning disabilities report that some doctors, consciously or unconsciously, believe that their son's or daughter's health problem is a result of the learning disability and that not much can be done about it. That is a dangerous assumption and, as we have heard today, can lead to undiagnosed or misdiagnosed conditions.

4.50 pm

The Minister of State, Department of Health (Dawn Primarolo): I congratulate the hon. Member for Newbury (Mr. Benyon) on securing this important debate, and I hope that he understands that if hon. Members take longer to read out questions than the time that I have left to reply, it is regrettably not always possible to answer each one.

I apologise on behalf of the new Minister for Care Services, my hon. Friend the Member for Corby (Phil Hope), who is attending a Standing Committee and unable to attend our debate here. I know that he shares his predecessor's concern about the issues that hon. Member have raised, and that he is equally committed to putting matters right. Those issues are also at the front of the Secretary of State's mind. Earlier this summer, he met the families of those patients whose tragic deaths are described in the report, "Death by Indifference". He has maintained a close personal interest in the ongoing inquiry.

I have listened carefully to what has been said this afternoon, and I thank the hon. Member for Newbury and other hon. Members for speaking with such passion and clarity on such a vital issue. The principles that govern the NHS are simple, powerful and enduring. We believe that it should be inclusive, responsive and compassionate. Those qualities are paramount when providing health care for people with learning disabilities, who may have multiple needs and require a tailored approach.

The hon. Member for Tiverton and Honiton (Angela Browning) spoke powerfully, as she always does on such issues, as did other hon. Members, and made it clear

[Dawn Primarolo]

that such qualities are not being met in every setting for every patient. That cannot be tolerated. She pressed the Government on a number of issues, and I shall respond to them.

I share the hon. Lady's dismay at the evidence that medical practitioners are disregarding the requirements of the Mental Capacity Act 2005. When I leave the Chamber, I shall ask my officials immediately to take up the issue and to report back to my hon. Friend. I agree that the abuse of people with learning disabilities is absolutely unacceptable—I can think of no other words to state that more strongly—and that we must take the matter forward. Other hon. Members spoke eloquently, and I agree with them that it is necessary to listen to family members. My officials are working closely with the National Family Carer Network to ensure that their concerns are addressed, and that families are given support and are listened to as an expert partner.

Other issues of transition were also raised. The Government are taking work forward to unblock the processes, and to combine assessments to ensure that young people with complex needs have that smooth transition that the hon. Lady so eloquently identified. As the hon. Member for Romsey (Sandra Gidley) said, there are many examples of outstanding work throughout the country, and of health and care professionals working together to deliver for people with learning disabilities, and going that extra mile. That shows that the NHS can do it, which makes it all the more unacceptable if parts of it do not.

The family cases that hon. Members described are deeply distressing, and inexcusable. They are anathema to what the NHS represents and, as my right hon. Friend the Member for Coatbridge, Chryston and Bellshill (Mr. Clarke) said, addressing inequalities has been one of the most important priorities for the NHS, but much remains to be done, and we are not shirking that.

Much has been said about the Government's alleged inactivity in many areas, and I want to make a couple of points before going on to say what we shall do next. The Government have taken action to improve access to health care through the operating framework for the NHS for 2008-09. We have specifically directed improvements in the NHS in the quality of care for people with learning disabilities and inequality of access to care. That includes developing personalised plans that address health and care needs. We have directed enhanced services for GP practices to provide annual health checks. That is not all we have done because we were doing things previously, which are in progress, but we are going further.

We have published the primary care service framework to support PCTs to deliver that better primary care. We have launched the national awareness campaign to examine education and the programmes that we need to introduce and which hon. Members rightly identified. We have also made clear what we intend to do in the next stage review. We want to ensure good practice so that everyone can expect the health care from professionals that they are entitled to. We responded to the Joint Committee and have taken work forward to improve services.

We considered the report from the Disability Rights Commission and took action, but I shall not describe that because it is on the record.

Following publication of the report about abuse in Cornwall and in Sutton and Merton, the Secretary of State, the NHS chief executive and the director general of social care wrote to the NHS and social services, reminding them of their responsibilities to provide the highest care.

There is a wider job to do, and hon. Members were quite right about driving a culture of change through the entire NHS and eradicating the problems, whether they are based on ignorance or fear among NHS staff when they encounter patients with learning difficulties.

Reference was made to Sir Jonathan Michael's report, and although I cannot pre-announce our response, I want to make absolutely clear our commitment to respond effectively to the 10 recommendations, and to ensure that our response is included in the Government's forthcoming cross-cutting strategy, "Valuing People Now." I hope that hon. Members understand why I cannot pre-empt that. My colleagues and I want deep, effective change, not a quick fix.

I thank hon. Members, Mencap and all those families who have continued to bring these important issues to our attention. We are determined to act on them, not just in the Department of Health, but throughout the Government. I am confident that we can transform the way in which the NHS responds to the needs of people with learning disabilities, and ensure that all NHS staff understand individuals, their needs and how to deliver the best possible health care and outcomes.

It is unacceptable for any trained health professional not to discharge their responsibilities for the care of any patient in the NHS. We intend to continue to make that clear, and to bring about the necessary cultural change to deliver the services that all hon. Members want for all members of our society.

Sheep (Electronic Identification)

3.59 pm

Mark Williams (Ceredigion) (LD): It is a pleasure to serve under your chairmanship this afternoon, Ms Walley. I welcome the Minister to her new role. When she was in her previous job, I was supposed to meet her yesterday to talk about the Aberystwyth tax office, so we were obviously destined to meet one way or another this week. I am pleased she is here to respond to a matter of acute concern for many farmers in my constituency, across Wales, and more generally across the United Kingdom.

Sheep electronic identification has certain limited benefits in terms of tracking disease, but those are far outweighed by the many problems that have emerged since EU regulation 21/2004 was first proposed. The rationale for electronic identification came from the widespread foot and mouth outbreak in 2001, when there were problems with tracking animal movement. That presented a severe problem because, at that point, subsidy was linked to headage. That is no longer the case and therefore, from the outset, there is a fundamental problem with the rationale behind EID.

The ID and batch recording system, which is backed up by the six day standstill situation, already tracks disease and works perfectly adequately, as I am sure the Minister realises. There is not really a problem, yet we have a supposed solution that will potentially pile misery on the farmers whom I and the hon. Members here from all parties represent. I believe that the Department for Environment, Food and Rural Affairs will not be introducing a national database to hold the records, but I would be grateful if the Minister confirmed that. Without a database to record the information, all we will be left with is a huge paper trail that will make it difficult for us to assess the small amount of useful information produced.

The system cannot provide us with secure traceability within the food chain because when animals are taken to slaughter, the tags will be removed. There will be no way of retaining a traceability function beyond that point. I do not dismiss EID out of hand; in fact, there may well be a case for some countries to adopt it, but, as far as I can tell, the UK farming community is virtually unanimous in its belief that it is not right for the UK, and it is certainly not right for Wales.

Farmers have told me that the benefits are minimal and are certainly not worth the additional costs and difficulties that they would experience. The experience of those who have taken part in the trials is instructive; for some it worked fine, but even those who did not experience problems did not think it was particularly worth while or beneficial. If we are going to introduce an added burden on our farmers and the wider rural community, there needs to be a good reason for the regulation to be introduced. I am yet to meet anybody in the UK farming community who believes that to be the case.

Albert Owen (Ynys Môn) (Lab): The hon. Gentleman has made the important point that the proposal might be applicable to other countries. One of the problems with traceability in the food chain is that much imported food comes from countries with far lower standards. Should Europe and the UK not concentrate on those other countries, rather than on a system that works within the United Kingdom and Wales?

Mark Williams: I am grateful to the hon. Gentleman for that intervention; he is, of course, right. The trials and the intuitive work undertaken confirm that point—in other words, there is a target that does not need to be targeted.

The trials introduced have encountered serious—perhaps even insurmountable—problems. Chief among those concerns are the problems with the technology itself. First, it should be pointed out that there is no one system of standardised technology to carry out EID, rather there are several systems that each have their own problems. Even if the technology is working, there will potentially be problems when one sheep switches from one system to another. That will obviously compromise the effectiveness of the scheme from the start.

Several problems have been identified during the trials—for example, interference affects the readers at markets and abattoirs. That, obviously, would be a serious downside, given that one of the most important aspects of tracking is to record movements between farms. There have also been difficulties with something as basic as the weather. In my constituency, the equipment will not work in cold or wet conditions. The equipment is useless and worthless, and undermines what is being proposed.

Mr. David Jones (Clwyd, West) (Con): The hon. Gentleman is making an important point about the technology. Does he agree that that is a particular problem in relation to auction sales? I understand that the requirement will be for every single sheep to have its tag read before it is sold at auction. In an auction, such the one at Ruthin, 5,000 head of sheep might be sold in a single session. The proposal will render the process of auction almost impossible.

Mark Williams: I thank the hon. Gentleman for that intervention. He is, of course, right. That situation is replicated in Tregaron, Aberystwyth, elsewhere in my constituency and across the United Kingdom. I will return to that point later on and discuss the issue of the wider rural community and the implications of this policy.

The trials have also indicated that 90 per cent. of farmers using the system have had to have IT training to use the readers. Hon. Members in this Chamber will be well versed in the many meetings we have had with our farming unions about red tape and bureaucracy. The idea that our farmers will go down to the nearest IT centre to receive training when they have other work to do is, frankly, ludicrous.

The upshot of these myriad technical concerns is a practical one. If the electronic system is fundamentally flawed, technically, a manual record system will have to be kept as well. In effect, it is not simply one new system of identification and tracking being introduced, but two. When we cannot trust the technology to work reliably in our constituencies and on our farms, it seems ludicrous to introduce compulsion.

Mr. Elfyn Llwyd (Meirionnydd Nant Conwy) (PC): I congratulate the hon. Gentleman on securing the debate. One of the pilot projects has been run in Trawsfynydd, which is in my constituency, where the person involved

[Mr. Elfyn Llwyd]

is totally familiar with IT, but could not get a single reading on the scanner of the machine—try as he might, he could not do it. It is not the hilliest place in Wales and there will be other places where it is even worse, but he has completely failed, despite being something of an expert at IT.

Mark Williams: I thank the hon. Gentleman for that telling intervention. That situation has, I know, been replicated throughout Wales. Regardless of the constituency we represent, that is the reality of this technology. The whole process is rendered useless and costly, and that is not without a certain willingness among farmers to at least try.

Lembit Öpik (Montgomeryshire) (LD): As my hon. Friend the Member for Ceredigion (Mark Williams) lists that and other problems, does it strike him that the Government have perhaps not done a regulatory impact assessment? If they have, they certainly have not taken it seriously because there have been problems in markets, such as Welshpool, and pressure has been put on my farmers in Montgomeryshire and elsewhere. The completely unnecessary nature of the process seems to suggest that the costs far outweigh the benefits. Does my hon. Friend think that the Government need to talk about cost and benefit more considerately and that if they did so, they would abandon the scheme?

Mark Williams: They would certainly reach that conclusion if an adequate appraisal had been undertaken. Most hon. Members in this Chamber have certainly reached that conclusion.

I would like to return to the practical difficulties with tagging. Farmers are not just worried about the electronic system itself, but the need for individual tagging. On a small scale that might not be deemed a particular problem, but when we are talking about farmers with flocks of 1,000 sheep or more, it is suddenly a much more difficult task. I am not convinced that that has been fully appreciated by the Commission or, indeed, by the Government.

There are numerous difficulties for hill farmers, and I declare an interest as the secretary of the all-party group on hill farming. I understand that some of those who have trialled the technology have found that when the time has come to bring sheep back down from the highlands to the lowlands, as many as 20 per cent. of the tags have gone missing. Clearly, both the cost—estimated at as much as £1.50 per tag—and the additional labour required to refit the tags will be a further burden that our hard-pressed farmers can ill afford.

In Wales, 80 per cent. of farms are in less favoured areas, which inevitably means that we are more dependent on moving animals from the high to the lowlands. That means we will have to invest more in the technology. I know that the Minister will be unable to comment specifically on Wales—I think it is right that she should not—but I hope she will acknowledge that because of the nature of the agricultural industry of some parts of the UK, those areas will be particularly badly affected by the regulation.

Tim Farron (Westmorland and Lonsdale) (LD) *rose—*

Mark Williams: I give way to the chairman of the all-party hill farming group.

Tim Farron: I thank my hon. Friend for giving way. In my area—like in his—the farmers need no lessons in the importance of being secure against the threat of disease. The trauma and tragedy of foot and mouth still hangs very heavy in Cumbria, as it does in other parts of rural and, particularly, upland Britain. He talked about weighing benefits earlier on. Is it not also important that the Government understand the importance of weighing risk? The risk posed by foot and mouth and other diseases to the farming community is huge, and we must be vigilant, but is it not also important that we weigh that against the risk of crippling the sheep industry and putting those people out of business by way of an excessive, costly and, it appears, pointless regulation system?

Mark Williams: I am particularly grateful to my hon. Friend for raising that point; it is the next one in my speech. At this time, farm incomes are falling, so the additional burden is particularly unwelcome. In less favoured areas, incomes for the year ending February 2008 were forecast at £5,900 for sheep and cattle farms, and for non-LFA sheep and cattle farms the figure was £8,700. Bearing in mind that the scheme is expected to cost farmers thousands of pounds—I have seen figures suggesting that 18 per cent. of those amounts would need to be diverted towards compliance with the scheme—it is not difficult to envisage yet more farmers leaving the industry. I hope that even if the Minister cannot promise to lobby for a derogation for the UK from the regulation, she will be able to outline what the Government plan to do to assist farmers to be able to implement the regulation without it costing their livelihoods.

Sheep farmers are struggling to stay in business without these additional concerns. One example raised in the excellent report by the Country Landowners Association and the Scottish Rural Property and Business Association was that of fertiliser. In 2006, that cost £160 a tonne, but is going up to £450 a tonne now. That was contrasted with the average price of fat lambs, which has increased only to £55 from £40. The economics of sheep farming has become more problematic in recent years—indeed, in recent weeks and days. By introducing the regulation, we are reducing our farmers' competitiveness relative to other nations that do not have that burden, which is a very dangerous route for us to go down with a very vulnerable industry.

Last year, I asked questions about the exact financial cost that farms would face in implementing the regulation. At that time, I was given a figure of about £1,900 for a 1,000-ewe farm and about £1,000 for a 200-ewe farm. Has the Minister reviewed that figure in the intervening time and in the light of intervening experiences?

We should not forget that the debate is not just about farmers. They are my main concern this afternoon, but the issue goes much wider, as the hon. Member for Clwyd, West (Mr. Jones) said. Markets and abattoirs will have to take expensive action to ensure that they comply with the regulation. We are talking about the viability of rural communities as a whole. Abattoirs face an additional cost in the form of the new meat hygiene regulations. I know that that is not a responsibility of the Minister or her Department and that it is outside

the remit of this debate. However, I will ask what consideration the Government are giving to ensure that regulation as a whole is not designed in such a way that it becomes inevitable that farmers give up their livelihoods and communities lose vital amenities. I have only one abattoir in my constituency, but if it was forced to close as a result of the regulation, that would have all sorts of implications for local sourcing and attempts to reduce food miles, as well as the obvious economic effect on the broader community.

That is the problem. It is a big problem. I hope that in delaying implementation of the regulation until 2010, the Government have at least accepted some of the arguments that I have made. I surmise from the fact that the Government have pursued that course of action that they recognise that there are real problems facing farmers, and I hope that they will continue to make representations on those concerns.

The Minister's predecessor, Lord Rooker, was quoted as saying after a recent meeting in Limoges to discuss the scheme:

> "There was a complete slamming of EID—almost all speakers were against it. I made the point that from our individual trials, EID is not cost-effective and there are better ways of achieving disease control. We want a review of the regulation so it imposes fewer burdens."

I hope that the new Minister will echo those sentiments when she responds to my speech.

I acknowledge that the concerns raised so far have come largely from the UK and Ireland—particularly vocal has been the National Assembly for Wales—but increasingly it is becoming apparent that some other countries that will come under the regulation are growing anxious about whether that is appropriate. I appreciate that the Minister is new to her job, but I urge her and her officials, if they have not done so to date, to meet the Governments of other European countries that may be coming round to our point of view.

One difficulty that we face on the politics of this is that more member states will not be subject to EID than will. A national flock of 600,000 or more, or 160,000 for goats, is required before a member state becomes subject to the full extent of the regulation, thus 16 member states will not have to introduce EID. That is not to say that they will not be affected by it. I wonder what discussions there have been with member states that will not be required to introduce EID and whether there has been any attempt to persuade them of our concerns.

I have not secured the debate on the basis that farmers are luddites, that they are refusing to change or that they have not expressed concerns about security. I believe that the farming community would be happy, with support, to implement regulations that brought benefits and were cost-effective, but EID is ineffectual and expensive and the burdens that it will place on farmers are extremely onerous. I strongly urge the Minister to do all that she can to fight the corner of our farmers and rural communities as a whole. I hope that she will tell us that she will continue to fight this all the way. There is consensus among hon. Members on both sides of the Chamber who are concerned about the regulation. I hope that at the very least she will work with us to ensure that the extent of the burden is reduced and that we help the farmers in some of our most deprived communities as much as we can.

Joan Walley (in the Chair): Order. I understand that the Minister is happy to speak at 4.18 pm to allow the hon. Member for Brecon and Radnorshire (Mr. Williams) to enter the debate. I will be watching the clock carefully.

4.16 pm

Mr. Roger Williams (Brecon and Radnorshire) (LD): I thank the Minister for her generosity in allowing me to speak, as I sought a debate on this subject as well.

We welcome the Minister to her post. The Department for Environment, Food and Rural Affairs has done sterling work in securing derogations in the past, and we are here today to encourage the Minister to continue that work on behalf of the sheep industry. I want to impress on her the sheer scale of the issue. There are 33 million adult sheep in the UK and 9 million in Wales. With no derogation or allowances, 20 million new tags every year would have to be fixed to sheep in the UK and 6 million in Wales. That gives some idea of the complexity of the project. The Government know something about how difficult IT schemes are to deliver and the difficulties that one can get into—I need only mention the Rural Payments Agency. I am not sure whether it was on the Minister's watch that the IT scheme for the health service was introduced.

On this occasion, it will be not a Government project, but an industry project. DEFRA has already said that it will not implement a central database. DEFRA has called for cost sharing in animal health and disease programmes, but actually the cost is just being dumped on the industry; it is not sharing in any way. It would be in DEFRA's interest to ensure that the industry does not have to bear that extreme cost. I call on the Minister to reflect the views of the industry most vigorously in Brussels, with the support of colleagues from Wales, Scotland and Northern Ireland, and rule out compulsory EID and, indeed, individual farm records for sheep.

4.18 pm

The Minister of State, Department for Environment, Food and Rural Affairs (Jane Kennedy): It is a pleasure to serve under your chairmanship, Ms Walley.

After I had spent a year as Financial Secretary to the Treasury, it was obviously deemed that the financial markets needed a rest from my exertions, and I am delighted to be here in my new role, with such a diverse brief. I am very pleased to be learning today about the difficulties that sheep farmers face. I congratulate the hon. Member for Ceredigion (Mark Williams) on securing the debate and giving me the opportunity to examine the issue early on in my tenure as Minister responsible for farming and the environment.

Let me share with hon. Members the words of my right hon. Friend the Secretary of State for Environment, Food and Rural Affairs in a discussion at Chatham house last week. He said:

> "As for EID, it may have seemed like a good idea at the time it was originally adopted, but times have changed and the costs clearly outweigh the benefits to the sheep sector. Regulation—from wherever it comes—has to recognise when circumstances change."

I hope that it will give those who are, quite properly, defending the interests of sheep farmers some comfort to know that we share many of their concerns, although we believe that there are benefits from the system. I give credit to my predecessor, Lord Rooker, and to my

[Jane Kennedy]

ministerial colleagues in the House of Commons who responded to such debates and who have been working very hard to defend and protect the interests of sheep farmers, with particular reference to the directive that we are discussing today.

In 2007, the sheep industry was worth £628 million overall. However, the events of recent years have shown that the sheep industry is vulnerable to the incursion and spread of disease. The outbreak of foot and mouth across much of the country in 2001 had a major impact on the industry—and on the taxpayer. The cost of the epidemic was in the order of £6 billion, and it was estimated to have reduced the United Kingdom's gross domestic product by about 0.2 per cent. One of the difficulties that we faced in trying to control the disease was knowing where potentially infected sheep had been moved from, and to where. As with other species, disease control in sheep is not something to be taken lightly.

The rest of Europe saw the problems that we faced in 2001 and, like us, started to develop their own systems. Different solutions emerged in various European countries. The UK has the largest sheep population in the European Union. We have traditionally used a stratified production system. Hon. Members will know more about it than I do, so I shall not dwell on the detail, but under that system the sheep are born on the hills and then moved to lowland pastures. The more sheep we have, the more often they are moved. Even those sheep destined to be slaughtered before they are 12 months old are moved from farm to farm at least once. Not only do we have the largest sheep flock in Europe, but each sheep tends to be moved more often.

Lembit Öpik: Is the Minister is aware that there are 500,000 sheep in my constituency? The loss of 20 per cent. of tags means that about 100,000 tags a year will be lost in my constituency. Aside from the pollution that it will cause on the hillsides, surely she agrees that unscrupulous farmers, none of whom live in Montgomeryshire, could use the claim of a lost tag to subvert the system, making it pointless for those who might chance the system and making it inconvenient and expensive for those who are law-abiding?

Jane Kennedy: What the hon. Gentleman says must be true. We have to implement the directive, as not to implement it would put at risk the payments upon which sheep farmers depend. We have to go forward, and I shall tell the House of some of the steps that we are taking.

Following the 2001 foot and mouth outbreak, we and Ireland concluded that although we did not need to give each sheep an individual identity, it was essential to know when and where batches of sheep were being moved. We set up a system, and put in place identification arrangements for batches of sheep, and a central database was developed to record how many sheep had moved from A to B and on which date. Hon. Members know better than I that it was known as batch recording.

The European regulation of 2004 was agreed at the end of 2003. As is usual in European legislation, what emerged from debate in the Council was a political compromise. Industry stakeholders at the time were supportive of our approach and the concessions that we negotiated. In particular, they were pleased that the introduction of the requirement to introduce electronic identification and the individual recording of sheep was delayed until the beginning of 2008. We also secured a derogation that enabled the UK and Ireland to continue to use our system of batch recording until the introduction of EID, while the rest of Europe had to double tag their sheep.

I acknowledge that some countries in Europe are not affected; none the less, those are the facts. Unfortunately—the hon. Member for Ceredigion alluded to the matter—we, but not Ireland, lost that derogation in 2007 due to repeated compliance issues identified by three consecutive Food and Veterinary Office missions. It is worth pointing out that those compliance issues, together with our difficulties in 2001, did not help our negotiating position on EID.

The legislation took effect in 2005, and it called upon the Commission to report to the Council by June 2006 on the implementation of EID, and especially on whether the implementation date needed to be changed. The report, when it emerged in November 2007, confirmed that further analysis would need to be made jointly with industry, particularly of the economic impact of the introduction of EID and individual recording.

With the active help of Administrations across the United Kingdom—I shall not speak for Wales, although I hope that Members representing Welsh constituencies will accept that DEFRA is working closely not only with the Welsh Assembly but with the Scottish Executive and the Northern Ireland Assembly—we submitted an evidence dossier to the Commission in order to influence its report. Although there were some disease control benefits, as my right hon. Friend the Secretary of State said, the cost of EID outweighed the benefits; and we identified ongoing concerns about the ability of EID to cope with our high-volume markets.

Armed with that evidence, we persuaded the Commission to propose delaying the introduction of EID, and at Council we secured a delay until the end of 2009. That has been welcomed. Officials, with the help of the industry, have worked closely with the Commission to identify and resolve the real practical difficulties that the UK sheep industry will face with EID and individual recording, some of which have been described today. As a result, we were successful in securing changes to the regulation that phases in the individual recording requirements. Those changes will allow industry further time to adapt to the new requirements, and they will reduce the record-keeping and form-filling burden, particularly for older non-electronically identified sheep.

There are benefits to EID, but I shall not extol its virtues as time is short. It is generally agreed that Great Britain would not have implemented it, as my right hon. Friend made clear. The costs outweigh the benefits.

Mark Williams: The comments of the Secretary of State, to which the Minister alluded at the start of her speech, are very welcome. How much analysis has been undertaken of the financial effect on the small family farms that many of us represent, and the bigger economic picture that affects the marts and abattoirs? I appreciate what she said about the technology, but what about the broader economic picture? It is fundamental to the rural community.

Jane Kennedy: That is a fair question. I assure the hon. Gentleman that a regulatory impact assessment was undertaken. He also asked about a figure of 18 per cent. If he will allow me, given my newness to the subject, I shall get proper answers and write to him and the other Members who have participated in the debate giving the details that he seeks.

The House may be interested to know that there is considerable activity in the European Parliament on EID. The chairman of the European Parliament agriculture committee, Neil Parish MEP, has been working closely with industry representatives, and there was a joint industry presentation at the EP regulatory committee on 7 October. However, the Commissioner has made it clear that the regulation will not be reviewed before implementation, notwithstanding the fact that my right hon. Friend has made it clear to Commissioner Vassiliou that he believes that the Commission should conduct the review that its report said was necessary. Unfortunately, the Commissioner believes that too many member states have already invested in the implementation of EID for there to be any support for a review in the short term.

As I said, I cannot speak for Wales, but we are working closely with the sheep industry to minimise the burdens that will be imposed by introducing EID. In particular, it is our intention whenever possible to make use of the derogations and flexibility provided for in the EU regulation, a factor alluded to by other speakers.

In the last few seconds left to me, I congratulate the hon. Member for Ceredigion on securing this debate. I assure him of the Government's continued determination to assist sheep farmers to respond to what could have been a disastrous regulation. We have been working to ensure that it will be implemented in such a way that the benefits that we foresee can be maximised.

Refractory Angina

4.30 pm

Mr. George Howarth (Knowsley, North and Sefton, East) (Lab): Refractory Angina is a painful condition that affects up to 50,000 people in the UK, many of whom have had unnecessary treatment. At this point, I should like to express my gratitude to councillor Ken McGlashan, a colleague and friend of my hon. Friend the Member for Knowsley, South (Mr. O'Hara) and I, for drawing our attention to the problem, and to Professor Michael Chester, who has provided much of the briefing that I am making use of today.

Compared with a decade ago, much is known about how to treat the condition, yet because awareness of that knowledge is low, many patients live in unnecessary fear, and our health care system does not adequately cater for them. Improving care for refractory angina is important because it can make a direct improvement to patients' lives. Greater knowledge and awareness can save unnecessary operations and improving care teaches us lessons on how to structure our health care system's rewards and incentives.

Before I talk about the availability of treatment for the condition and the associated challenges, I should first explain the difference between stable and refractory angina. According to the British Heart Foundation, stable angina is an increasingly common condition and affects around 1.2 to 1.4 million people. Improvements in medicines, coupled with technological advances, have allowed more angina sufferers to be treated than ever before, which is welcome. However, inevitably, those approaches are certainly not universally effective, and a growing number of patients experience severe debilitating symptoms that do not respond to the measures available—in other words, refractory angina. Typically, refractory angina patients are frightened, confused and vulnerable. Most have previously undergone cardiac procedures that have afforded temporary relief of the symptoms, but which have failed after a period. Long-term recurrence of symptoms following bypass surgery and angioplasty is well known and although many patients undergo further procedures, that are not appropriate for a growing number of others. That is particularly true for elderly and infirm angina sufferers, for whom the risk of further surgery can outweigh the benefits.

Refractory angina is characterised by disabling symptoms of chest pain, breathlessness, significantly impaired function and poor quality of life—the last of those things applies both to the sufferer and their carers. Sufferers are often further burdened by misconceptions about the causes and implications of their chest pain, and many hold the incorrect belief that the symptoms of what is in fact usually a stable condition are warning signs of an imminent heart attack or even death.

How does the NHS respond to such patients? I should first say that the problem is not new. The March 2000 national service framework for stable angina recognised the existence of the problem of refractory angina, but set no targets. In 1999, Baroness Hayman, then a Health Minister, responding to calls for a national strategy to deal with the condition, stated:

> "I do understand that refractory angina is a difficult and distressing problem...There is a growing recognition of the problem and the likelihood that the number of people who suffer from refractory angina will increase".

[Mr. George Howarth]

We have a growing problem and, at the moment, no clear strategy to address it.

As Baroness Hayman predicted, the number of sufferers has increased. That is partly because when the number of revascularisation procedures rises, so does the number of patients whose symptoms return after a period of post-procedural remission, often within three years of the operation. Another reason is that we have an ageing population, and the elderly tend to want to avoid invasive procedures if possible. That is certainly understandable in the case of invasive coronary interventions such as percutaneous coronary intervention, which is also known as stents, for stable angina, because even small risks of a heart attack, stroke or death increase in significance when such procedures are performed only to relieve symptoms.

In 2002, the European Society of Cardiology, prompted by the work of the UK National Refractory Angina Centre, sponsored a special study group to investigate the problem of refractory angina. Based on its estimates, there could be as many as 50,000 sufferers in the UK. More recently, the respected Cheshire and Merseyside Cardiac Network and the North Wales Cardiac Network predicted that, in their regions, where there is a population of around 2 million, there will be 2,400 sufferers by 2017. If that estimate is correct, the NHS might expect to have 78,000 sufferers to cater for by the end of the decade.

I said that refractory angina is characterised by disabling symptoms of chest pain, breathlessness, significantly impaired function and, additionally, poor quality of life for sufferers. Often, sufferers have misconceptions about the causes and implications of their chest pains, and many believe that the symptoms are warning signs of imminent heart attack or death, so their ability to manage their condition and lead healthy lives is unnecessarily affected. Many sufferers dramatically reduce their levels of activity in the mistaken belief that that will reduce their risk of heart attack. In fact, on the contrary, in doing that, they increase the risk and, at the same time, their quality of life diminishes. People with refractory angina become frequent attendees at GP surgeries, undergo multiple emergency admissions to hospital and suffer exacerbated chest pain. Many patients and carers live in an unfounded perpetual fear of sudden death.

As well as the human cost, there are clear implications for the efficient use of precious health care resources. An audit in 1998 showed wide variations in refractory angina care practice. There is no doubt that, although dedicated health care professionals in different parts of the country provide what they honestly believe to be the best treatment available, patients are offered dramatically different management strategies depending on where they live.

Despite the growing number of patients with refractory angina, there is currently only one specialist centre available: the multi-award winning and internationally acclaimed NRAC in Liverpool, which has pioneered consumer-centred service design and delivery since 1996, is the only dedicated NHS specialist service for patients suffering from chronic refractory angina. Under the highly respected leadership of Professor Chester, the centre has received a number of prestigious NHS awards. Last year, he won the highly prized Sunday Times and Henley business school customer experience leadership award.

In 2000, the then Prime Minister described NRAC as

"representing the very best of the NHS".

The then Secretary of State for Health, my right hon. Friend the Member for Darlington (Mr. Milburn), stated:

"NRAC is leading modernisation in the NHS",

and in 2003, the then chief executive of the NHS, Sir Nigel Crisp, stated:

"By putting the patient first and making a commitment to customer service, the centre has a vital role in modernising the NHS and making it fit for the 21st century".

I draw attention to those accolades not to flatter the centre for its leadership, although it deserves immense credit, but to point out that in a national context of highly variable care quality, it is possible to deliver outstanding results and to have a real effect on people's lives. Moreover, that leads to real and profound efficiency benefits. Published research and audits show that NRAC produces savings that substantially exceed costs by preventing unscheduled admissions and unnecessary palliative procedures. NRAC's value for money has been endorsed by senior commissioners and Department of Health advisers.

This specialist patient-centred, cost-saving approach to refractory angina management developed at NRAC is available to fewer than 100 of the predicted 10,000 new patients who present with the condition each year. Despite repeated calls going back to 1998, there still appears to be no clear national strategy. It is vital that we have a proper appreciation of the growing scale of the problem to equip local NHS providers with the appropriate knowledge, skills and facilities to be able to respond effectively. There is an added challenge that the very definition of the condition—refractory meaning angina that has resisted treatment—signifies a failure of previous treatments. Perhaps that explains why professional representative organisations representing the cardiologists and surgeons have avoided dwelling on how to respond to the problem.

We need a number of approaches to help the health service address the condition more effectively. First, training should be considered. NRAC has a state of the art multi-professional training programme and has shown that health care professionals can be trained to deliver high-quality refractory angina care.

Secondly, we need to consider funding across the system as a whole. Primary care trusts continue to focus on high-cost palliative revascularisation targets, which were set by the national service frameworks nearly a decade ago, before the full impact of refractory angina was properly understood. It has been estimated that, of the £2.5 billion that will be spent on coronary revascularisation over the next decade, more than £1 billion will be on purely palliative procedures. Much of that will go to pay for expensive equipment brought in from abroad and could be saved if the simple out-patient education programme provided by refractory angina specialists was offered. The cost reductions are not clear, but some experts estimate that it could be as much as 90 per cent.

Thirdly, we need to consider funding for NRAC. Only yesterday, the centre received referrals from Leicester, Inverness, Birmingham and Blackburn. While NRAC

remains the only specialist centre in the country, it is vital that it has adequate resources for the care that it provides directly and also for the education of health care providers further afield so that patients do not have to travel so far for treatment.

Fourthly, we should look at rewarding outcomes. It is no secret that the Department is working on a large set of patient-reported outcome measures that will be published for consultation shortly. It is right that NHS provision should focus on quality, and the proposals are, therefore, welcome in principle. There are a number of detailed points that also need attention for them to work effectively for patients with refractory angina.

PROMs take as their starting point a treatment intervention, but as I have discussed earlier, there are many examples of patients with refractory angina undergoing unnecessary treatments. There is a gap in the process of giving consent. That needs to be quality assured so that we can be sure that patients understand all the issues before an "informed" decision can meaningfully be given. Ignorance of the alternatives is not consistent with valid consent. One solution would be to give patients a checklist of evidence-based alternatives to palliative surgery. At the very least, that would ensure that they have heard of them. It would also reduce medico-legal vulnerability by ensuring that patients were aware of the options before treatment began.

Mr. Edward O'Hara (Knowsley, South) (Lab): I congratulate my right hon. Friend on securing this important debate. I echo his words of commendation for councillor Ken McGlashan, NRAC and Professor Chester. Does he think that it would be useful for the Minister to give a commitment to meet Professor Chester to learn directly from his experience?

Mr. Howarth: I am grateful to my hon. Friend for intervening. It is a very helpful suggestion, and I hope that my hon. Friend the Minister will pick that up when she winds up the debate.

Finally, I will close by quoting from an NRAC patient, who wrote to me on learning of this debate. For the sake of 50,000 patients currently living with refractory angina, his experience eloquently sums up why we need to improve the service the NHS offers such patients. Kevin Mockler said:

> "Like many patients who have successful bypass, my angina eventually returned. I am grateful for what was done originally but I felt that I had been 'forgotten' by the system and when I was finally seen in the standard cardiology clinic I was told that there was nothing more that they could do. You can imagine how demoralising it is to be told this, especially after hearing all the stories that imply modern advances have all the answers. Eventually I was referred to the National Refractory Angina Centre, who, for the first time, listened to what I had to say and took the time to make sure that I understood my condition. They have helped me enormously and there is no doubt that many more patients like me could benefit if the service was able to cope with the referrals. It amazes me that the NHS appears to have no long term plan to tackle refractory angina. NRAC knows the problem inside out and has been arguing for a systematic approach for years. I think the Health Department should sit down around a table with Mike and his team and work out what it is going to do."

4.46 pm

The Parliamentary Under-Secretary of State for Health (Ann Keen): May I say what a privilege it is to be with you, Ms Walley, during your chairmanship of this debate? I congratulate my right hon. Friend the Member for Knowsley, North and Sefton, East (Mr. Howarth) on his success in the ballot and on taking the opportunity to bring to our attention the excellent services being provided in the north-west for patients with refractory angina.

Coronary heart disease is one of the biggest killers in this country. More than 1.4 million people suffer from angina and 110,000 people have heart attacks every year. A similar number of people die of heart problems in England every year. I am sure that my right hon. and hon. Friends congratulate the Prime Minister and the Department of Health on their screening initiative for cardiovascular disease, which will be rolled out this year for everyone between the ages of 40 and 75.

Since the launch of the national service framework for coronary heart disease in March 2000, we have taken huge steps forward in the detection, treatment and care of those with coronary heart disease and other cardiovascular conditions. Death rates from cardiovascular disease among people under the age of 75 are now down by 44 per cent. from the 1995 to 1997 baseline, saving nearly 33,000 lives in 2006 compared with 1996. We have met our target of reducing premature mortality from CHD, stroke and related conditions by at least 40 per cent, which, I am proud to say, is five years ahead of schedule. Rapid access chest pain clinics are now in operation in all acute trusts, giving diagnosis or the "all clear" to patients within two weeks, instead of the months they used to have to wait.

In emergency care, there has been steady improvement in the time it takes for heart attack patients to receive thrombolysis, which is a treatment with life-saving clot-busting drugs. In 2007-08, 71 per cent. of patients received thrombolysis within 60 minutes of calling for help, compared with 24 per cent. before the NSF was implemented. That exceeds the national target of 68 per cent.

Excellent progress has been made to reduce waiting times for heart patients. Since March 2005 no one has waited more than three months for heart surgery, and since the end of 2005, no one has waited more than six months for an angiograph. I congratulate the health service and its staff on the way in which they have dealt with that capacity and those numbers. We have saved the lives of people we know—families and neighbours—and people whom we will never know.

A £735 million capital programme is providing world-class facilities to treat patients with heart disease where those facilities are needed most. The programme has provided new and refurbished buildings, equipment and technology, including cardiothoracic centres. An additional 72 catheter laboratories have been provided, and 18 others have been replaced. Catheters that go into coronary arteries to look for blockages are an amazing technological advance.

The new facilities have provided the setting for substantially more cardiologists, increasing the capacity available by more than 50 per cent. However, as we know and have discussed, particular expertise is needed to detect and manage some conditions relating to coronary heart disease. Patients with refractory angina do not respond to the same types of treatment as patients with stable angina, as my right hon. Friend said when introducing this debate. The symptoms of many people with angina who do not react well to medication can be improved by

[Ann Keen]

revascularisation, but unfortunately there are others with angina for whom revascularisation is not suitable.

Patients with refractory angina understandably need a complex mix of specialist and innovative treatment coupled with care and support to ensure that their quality of life is protected as much as possible and their length of life compromised as little as possible. Providing patients with that sort of service is not easy. The role of specialist nurses in particular in dealing with cardiac conditions has been acknowledged at all times by patients and families. As a former nurse, I am fully aware of the fear cardiac patients experience when having chest pain and when they are discharged, still having chest pain, to their family, who may not have the expertise to help. It is very different from being inside a unit.

I am pleased that today's debate has focused on the work of the National Refractory Angina Centre in Liverpool. That award-winning service's mission is

"to improve and harmonise the standard of care of patients and their carers with chronic refractory angina".

It is easy to forget that the management of chronic disease relies not only on excellent clinical treatment but on protection of quality of life. Several services for patients with refractory angina are developing around the country, particularly in the context of chronic pain management, but the NRAC in Liverpool has led the way. It is important to place on record that, although I believe and am guided to say that Liverpool is the best, other centres provide or are developing facilities after the Liverpool model, including Royal Brompton and Harefield hospitals, Bradford Royal infirmary, Barnsley hospital, Castle Hill hospital in Hull, Pilgrim hospital in Boston, Queen Mary's hospital, Roehampton and Southend university hospital. There are probably more, but I have given a flavour of the developments taking place, which it would be wrong not to mention.

The NRAC provides an extensive and comprehensive service for those with this chronic disease. The centre is to be congratulated on what it has achieved and, although the provision of such services locally is ultimately something for local service commissioners and providers to decide, I hope that the NRAC and how it has been developed and run will act as an exemplar for developing or planned services elsewhere in England.

The NRAC's service is patient-centred. As well as raising awareness of the condition, its treatment and its management, the NRAC produces information for clinicians and patients. I hope that that information will be accessed by more clinicians and patients around the country as a result of this debate. I praise the guidelines produced by the centre under the guidance of the Cheshire and Merseyside cardiac network.

It would be remiss of me not to recognise, the personal contributions made to the development of the services by cardiologist Professor Mike Chester and pain management specialist Dr. Austin Leach. More than 10 years ago, they had the foresight to see that with that type of chronic condition, it was important not to focus solely on clinical results. Turning that foresight into action took commitment, as well as ability and innovation. They suggested, quite rightly, that success should be measured by what services mean to the patient and their quality of life. Mike and his collaborators have proved that NHS services of that sort can be changed to employ a more patient-focused way of working, and that that approach delivers results in both health care outcomes and patient satisfaction.

The Cheshire and Merseyside cardiac network has produced guidelines on the diagnosis and management of stable angina for use throughout Cheshire and Merseyside. I am pleased to have ministerial responsibility for that issue, and would also be pleased to visit the centre. The guidelines contain details of which patients would benefit from the services offered at NRAC, what is offered and how to refer patients. They also contain details on the development and provision of refractory angina services. Again, I hope that developing services will refer to those guidelines.

The ongoing development of the NRAC as a national and international centre of excellence for the treatment and management of refractory angina, coupled with support from the cardiac network and local service commissioners, means that we have not only the best possible service to which people in this country can be referred for that condition, but a blueprint for the development of other such services elsewhere. My right hon. Friend suggested that I should have a meeting with the professors and the experts. I will do so gladly. To sit around the table with them would be a good initiative. Our national standard framework includes a chapter on angina, but it is not sufficient now because we have progressed, thanks in particular to the NRAC.

We must all do what we can to ensure that the lessons learned from that collaborative approach are used to develop not just other refractory angina services, but patient-centred chronic disease management generally. We are moving our national health service into the 21st century following Lord Darzi's report on patient-centred quality. The evidence is there; we must now use the science and research to do what we can to remove patients' fear that their angina is different and not manageable. We must do everything we can within the health service and our medical and nursing professions to provide first-class, quality care. That is obviously taking place at the NRAC. I thank my right hon. Friend for securing this debate and bringing the matter to my attention.

Question put and agreed to.

Adjourned accordingly at three minutes to Five o'clock.

Westminster Hall

Thursday 16 October 2008

[HYWEL WILLIAMS *in the Chair*]

Jobs for the Girls: Two Years On

[Relevant documents: Second Report from the Business, Enterprise and Regulatory Reform Committee, Session 2007-08, HC 291 and the Government response, HC 634.]

Motion made, and Question proposed, That the sitting be now adjourned.—*[Maria Eagle.]*

2.30 pm

Peter Luff (Mid-Worcestershire) (Con): It is a great pleasure to speak to a report that comes from my Committee. I did not Chair the Sub-Committee that produced the report—that was ably chaired by the hon. Member for Amber Valley (Judy Mallaber) who is in this Chamber today. She will speak to the report at greater length than I intend to. My remarks are only preliminary to hers.

I am sorry that there are relatively few hon. Members here today. I attach great importance to the report, and we are having this debate because of a solemn promise I gave the hon. Lady, so I am glad that the Liaison Committee found time to accommodate it in its programme. I should be in three places today. As well as participating in this debate, I should be in the Chamber taking part in an important and timely debate on energy providers, and I should be continuing a conversation I was having with the pupils of Blackminster middle school in my constituency. I was encouraged to see that a huge number of young ladies at that school show great enthusiasm for politics. Sadly, I have had to cut short my conversation with them to be here today, but I hope the nobler purpose that I serve by being here—one they heartily applaud—justifies my absence from the school.

As I said, the report was produced by a Sub-Committee of the Business, Enterprise and Regulatory Reform Committee. We started the inquiry at the beginning of our Committee's incarnation in October 2005. At that time, there was a bewildering array of issues for the Committee to consider and, in fact, we formed two separate Sub-Committees on two separate matters. They have both produced excellent reports and I am delighted to be associated with them, albeit at one remove. We have not had Sub-Committees since then, but that does not reflect on the able chairing of the hon. Lady; it is because after that time we got things slightly more under control and were able to have a rational programme of work. I pay tribute to her and the members of her Sub-Committee, whom I think she will thank individually in her remarks, for the extremely good work they did on this thorough and important report.

It is not always appropriate to do this, but I want to put on the record my deep gratitude to the Clerk to the Committee at that time, Elizabeth Flood, who might be joining us later, although I shall draw her attention to these remarks in the printed record. I was going to say that she strove manfully, but that is not the appropriate word in these circumstances, so I shall say that she strove hard and diligently to produce the report and some of the detailed work around it. I believe the hon. Lady might mention that work in her remarks.

We are not allowed to use the R-word quite yet, but it is timely that we are having this debate today because the severe economic challenges that the country faces, about which we heard in the Chamber earlier, could be used by some as an excuse in relation to our country's commitment to climate change. That should not happen. Equally, those economic challenges might be used as an excuse to play down our commitment to equality and fairness in the workplace. That, too, would be wrong. I am glad that today's debate gives the opportunity for the record to be set right. The issue cannot be swept under the carpet at inconvenient times; it is of great importance to us all.

The debate is not only about discrimination against women; it is about the price we all pay for their exclusion from or lack of full participation in the work force. There is still a significant gender pay gap: it has closed somewhat, but the most recent estimate is that the average pay gap between men and women is about 17.2 per cent. That is a significant figure.

Flexible working and a sensible work-life balance are elusive for many, if not most, women. I am alarmed that 41 per cent. of parents spend two hours or less each day with their children and that only a third of families manage to eat together daily. It is important for those families that we give women the flexibility they deserve. I realise this is not mainstream to the report, but we should not forget the pensioner poverty problem. For every £1 a man receives from a pension, a woman receives on average just 32p. There are big injustices that need to be resolved.

The report has a complicated chronology. I do not know whether the hon. Lady will take us through why the report has taken so long to reach the final stages, but the intervention of a general election in 2005 did not help, truncating as it did our predecessor Committee's work. I am glad that the report has eventually appeared and that the women and work commission's report, which it scrutinises, contained a number of recommendations that appeared in the Committee's original report—the predecessor report to this one.

Before I sit down to allow the hon. Lady to take us through the report in detail, I want to emphasise that it is not just the women who are subjected to discrimination who pay a price. We all pay a price. The abilities, enthusiasm and talents of women are crucial to our economic success: if we want to compete globally in the world, we have to maximise our use of every resource we have. One such resource is those clever and able women who are not being allowed to contribute to the economy or to the society of which they are a part to the extent that they could.

The gender pay gap is partly a problem of aspiration—I am glad to say that I can quote a woman in defence of that argument. The noble Baroness Prosser told the Committee that she

> "agreed the situation was complex, and noted that the pay gap arose partly because women do not, largely speaking, push themselves for pay rises and promotion in the same way that men do."

I know that my daughter has received advice from a male colleague that she should not be satisfied with warm words from her bosses when she has done well;

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she should demand a pay increase at the same time. Women tend to take the warm words and walk away and men tend to demand the money. It is important that women are assertive in the workplace and ask for their just desserts.

I want to underline the importance of the report's first recommendation on careers advice. In my work as Chairman of the Business, Enterprise and Regulatory Reform Committee, I have become more strongly of the opinion that careers advice is of huge importance—or at least that the failure of careers advice in our schools is a matter of huge importance. Children are not shown the reality of the modern workplace or modern economy. I passionately believe that engineering deserves a higher profile in careers advice. Manufacturing, too, is being dismissed by too many careers teachers, who are not aware of the realities of modern manufacturing, and women in particular are not being encouraged to pursue careers in industries perceived to be male dominated—particularly engineering, which is a passion of mine. One of the report's first recommendations states:

"The causes of occupational segregation start with the assumptions made by families and in schools".

The report goes on to state that the Department for Children, Schools and Families must give higher priority to careers advice and work experience, and should provide more support and funding, so that careers advice is not just seen as an extra duty. The report adds that further efforts are needed to build links with employers. Those recommendations are of huge importance.

I found the Government's response to that recommendation worthy, but a little complex. What we really need to achieve—not just for women, but for the entire UK economy—is a significantly higher quality of careers advice that is much more in touch with the realities of contemporary Britain.

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): I am grateful to my hon. Friend, who chairs the Committee so ably, for giving way. He has obviously had much time to study this important subject. In relation to the report's recommendations, does he think that the gender gap can be closed by attitudinal and best practice changes, or are legislative changes needed; or is a mixture of all three required?

Peter Luff: This is a cop-out answer in the sense that I think it is all three. The idea of relying on only one of those is clearly illusory. We need to ensure that the Government pursue best practice in their own areas of responsibility as an employer and a procurer. A mix of things are needed to drive the matter forward, as the report ably demonstrates.

I promised that I would be brief, and eight minutes is not particularly brief, so I will allow the hon. Member for Amber Valley to explain at greater length the work of the Committee and its important report.

2.38 pm

Judy Mallaber (Amber Valley) (Lab): I am pleased with that opening to the debate on our report. I appreciate the support that we received from the Chair of our Committee and the rest of the members of the Committee. As I recall—although I do not know if I can find it now—somewhere in the report we tucked in a reference that specifically came out of the hon. Gentleman's daughter's comments on how one should push oneself or not push oneself. Obviously, we need to make recommendations based on experience, what we see in practice and what happens in the real world. Anecdotes, examples and our experience of what we see around us are very important and central to what we have put forward.

I am pleased to introduce the report. As has been said, I was privileged to chair the Sub-Committee that conducted the inquiry, which focused on the Government's implementation of the women and work commission's 2006 report recommendations, particularly in relation to the gender pay gap and occupational segregation. I thank the other Sub-Committee members for their support, hard work, good ideas and enthusiasm: the hon. Member for Bromsgrove (Miss Kirkbride) and my hon. Friend the Member for Kingswood (Roger Berry), who both remain on the Committee, and my hon. Friend the Member for Crosby (Mrs. Curtis-Thomas). We were given a big job and there were just a few of us to do it. As hon. Members will imagine, it was hard to hold meetings at the same time to allow us to see the witnesses we wanted to. That is one reason why the inquiry was extended.

Peter Luff: I should have explained that the hon. Lady is sadly no longer on the Committee. She left us briefly to be a Parliamentary Private Secretary to a Minister who has now gone elsewhere. I hope that the vacancies that may be created by the restructuring of Select Committees will attract her to take an interest in our Committee once again. She was an extremely able member of the Committee more generally, not just in her chairmanship of the Sub-Committee.

Judy Mallaber: What an invitation. I thank the hon. Gentleman.

The Parliamentary Secretary, Government Equalities Office (Maria Eagle): Make sure you get the proper pay rise.

Judy Mallaber: Yes. I want also to place on the record, as the hon. Member for Mid-Worcestershire (Peter Luff) has, our thanks to Elizabeth Flood, the then Clerk to the Select Committee, who will be joining us later, so I will probably have to thank her again. She somehow created order and excellent drafting out of the large amount of material before us, although of course the responsibility for the report is ours. I also thank Eve Samson, the current Clerk to the Committee, who took on board the last-minute sorting out at the end of the process of publishing the report and was rather better than me at working out how to produce a concise summary and press release. I wanted to include everything and she was slightly more disciplined.

I see that the previous Clerk, whom we were just thanking for her excellent work, is here. I want to draw particular attention to her heroic endeavour—I thought that it was a rather mad endeavour, but she achieved it brilliantly—in managing at the end of the report to produce a table that compares the recommendations of three reports. The Select Committee's predecessor produced the first "Jobs for the Girls" report on the effect of

occupational segregation on the gender pay gap before the general election and recommended that the Committee return to the subject when the women and work commission had reported. Second in the table are the recommendations of the commission report, "Shaping a Fairer Future". It made 40 recommendations. Third is the Government's one-year-on report on implementing the commission proposals. In a heroic endeavour, which I would not have tried, the Clerk managed brilliantly to tabulate and compare the various recommendations.

To be frank, this area has been swimming in reports and recommendations over the years. We have discussed endlessly the barriers and inequalities faced by women at work and the difficulties that exist but, as has been said, although progress has been made, the gender pay gap persists, despite 30 years of equal pay legislation. My right hon. and learned Friend the Minister for Women and Equality estimated that at the current rate of progress it would take 80 years to eliminate the gap—she was possibly being a bit optimistic.

When the women and work commission was set up in July 2004, there was a gap in mean hourly earnings between men and women of 18 per cent. among full-time workers and 40 per cent. among those working part-time. According to the last Office for National Statistics survey, the gap has narrowed to 17.2 per cent. for full-timers—or 12.6 per cent. if we strip out the extremes and put it at the mean—and to 35 per cent. for part-timers. It is hard to eliminate the pay gap for a number of reasons, but particularly because men and women tend to work in different occupations, and traditional female occupations tend to be lower-paid and less valued than those of men.

However, it is important to reiterate that the pay gap and segregation are not just unfair to women. The Business, Enterprise and Regulatory Reform Committee—I do not know whether the Committee has found a quicker way of saying that.

Peter Luff: The Business and Enterprise Committee.

Judy Mallaber: The Business and Enterprise Committee and its predecessor in this area, the Trade and Industry Committee, had an economic remit, so they were considering the issue not just as a question of fairness. When I said that we should examine such issues, I presented my argument in a way that focused on the economy. The Committees' concern was the health of the economy, as well as fairness and proper behaviour. Occupational segregation limits the pool of recruits available to employers at a time when harnessing and extending the skills of all is increasingly vital for the economy.

In our report, we were not seeking to reinvent the wheel. As I said, there have been many reports. We wanted to consider what action had been taken and proposed. There were 40 recommendations about tackling job segregation, the gender pay gap and related issues. Many of those had been made in our predecessor's report, so we were not trying to amass a new lot of evidence, although we did take evidence from various bodies. We started with Baroness Prosser, who chaired the women and work commission. She gave us an extremely useful estimate of where she thought implementation had got to and what she regarded as the key proposals. It is important to keep returning to these issues, and we will do so again and again, because we will not eliminate this problem overnight. There will be more reports to come, and it is very important that we keep producing reports.

Our report focused on the issues under three main headings: education and training; the workplace, including the type of work available, the role of management and unions and the legislative framework; and Government as an exemplar, including in public procurement. That issue was of interest to us in this inquiry and has been of continuing interest to the Business and Enterprise Committee and its predecessor. We have raised the question of being able to use social objectives in public procurement on a wider basis than just in relation to equalities—in relation, for example, to safety and other areas. That issue has been the subject of separate reports by the Committee. It tied in very clearly with this report, again showing the links between equality and economic issues.

I will go on to highlight some of the recommendations, but first I want to say that a very determined effort will be required on all fronts if we are to tackle the stubborn pay gap and inequality in employment. That requires a culture change among employers and unions and in educational institutions and the whole of society, including families. As we all know, that will not be easy to achieve; none of us would dream of pretending that it will.

It is also important to acknowledge, as the Chairman of the Committee has, that we drew up the report in different circumstances from those that pertain now. I can hear now the voices that will tell us that the actions proposed and those that the Government and others are taking are a luxury in this difficult period and that therefore we should put them on the back-burner. That is similar to what we were told earlier about the danger of climate change. It would be a mistake, because if we do not tackle the skills and education gap now, we will find that we are still under-skilled and still wasting the talents of a huge proportion of the population when we come out of any downturn. In straight economic terms, we need to be doing this work now. Issues relating to the changing nature of the work force, family relationships and so on do not just disappear in hard times; if anything, they become even more difficult and even more important for us to address.

David Taylor (North-West Leicestershire) (Lab/Co-op): Of course, this is not just a matter of skills and education. I declare an interest as the father of four daughters who has always taken a close interest in this area. I am pleased to be the only male Government Member here today. In my pre-MP existence as a freelance accountant, I noticed—this is still the case—that women have a much weaker propensity to form businesses and become self-employed. Even when they do, those activities and occupations tend to be at the less well-paid end of the spectrum. There are many exceptions to that, of course—Steve Shirley in computing and many others since—but there is that weaker propensity among women. How does my hon. Friend think that a cultural change in that respect might be brought about?

Judy Mallaber: That is a huge question. Such a process has to start right at the beginning of people's lives and in schools and so on. The question has to

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be dealt with right across society. There is no easy answer, but we have to try to tackle it on every available front.

In one of my local secondary schools, there was a girl who wanted to go into construction. The young people do a lot of apprenticeships and vocational training. It was a tribute to her father, who was in the building trade. She wanted to follow in his footsteps, just as someone might become a doctor if one of their parents was a doctor, but he did not think that that was appropriate, so she ended up doing health and social care. There is nothing wrong with that, but the father did not see it as a tribute to him that construction was what the daughter wanted to do, so she missed the opportunity to do that.

That said, I went into one of our local engineering companies and saw a 14-year-old who was on the young apprentice scheme. She was working for Collis Engineering, a firm that makes signal gantries, and the whole factory had just adopted her—the people there almost did not want to let her go back to school because they thought she was doing so well.

It is not obvious how we start to tackle some of the problematic attitudes, but we just have to keep going on. It is about giving people the opportunity to look at different ways of experiencing things. Often, we give people only very limited choices to look at, so they cannot even see that there are other areas that they could manage to take part in.

I return to my theme of needing to take action even when we may be in more difficult economic circumstances. I shall take just one local example. The construction industry tends to be first in and first out of downturns, or whatever they should be called if we are not to use the R-word. In my area, one of the greatest advocates of the skills agenda and the first chair of our learning and skills council owns Bowmer and Kirkland, the biggest privately owned construction company in the country and a major local builder.

Mr. Kirkland has always been proud of the fact that he employs some women surveyors. I was sitting next to him at a dinner hosted by the Minister for Housing, my right hon. Friend the Member for Derby, South (Margaret Beckett). I challenged him, saying, "Well, it is all right having a few women surveyors, but what about the rest of your work force? Why not survey it to see what is going on?" He took up the challenge; he came back surprised and rather excited because he had more women in positions of responsibility than he realised.

The Government's latest proposals talk about transparency in the work force, yet Mr. Kirkland, the owner of a company and a positive man, was not aware of what was happening in his company. We discussed getting together with his women employees to try to ensure that their skills and those of other women in the company were fully utilised, and how to bring on more people. It will obviously help Mr. Kirkland to have a work force with a broader base of skills; when the building trade picks up again, he will need those skills, which are often in short supply when demand is high and supply is limited.

Peter Luff: The hon. Lady may like to know that immediately after this debate I am meeting the Minister with responsibility for construction at DBERR to discuss our report on construction matters, published earlier this year. It makes significant recommendations on how to address precisely the issue that she mentions. The Minister and I will be pursuing the hon. Lady's concerns, through another report, in two or three hours.

Judy Mallaber: That is good news.

I turn to the meat of the Committee's findings on whether the women and work commission recommendations have been implemented. We were rather disappointed with the Government's one-year-on report, and we were a little fearsome with some of the witnesses because of the lack of a timetable and committed funding in the Government's initial response to the commission's report. However, the inquiry and the report extended over quite a period, and there have been a number of developments since then.

Later progress reports were much more encouraging, and we were heartened by the commitment shown by those Ministers who appeared before the Committee: the Minister for Women and Equality; and the then Under-Secretary of State, now the Minister of State, Department for Innovation, Universities and Skills, my hon. Friend the Member for Tottenham (Mr. Lammy). We also took written evidence from the Minister of State, Department for Business, Enterprise and Regulatory Reform, my hon. Friend the Member for Wolverhampton, South-East (Mr. McFadden). It was clear that there had been considerable development, even over the period since the initial response, which was not long after the women and work commission reported. It is a developing area and even after we had received the Government's response—our report was published in February—there were a number of developments. I look forward to hearing from the Minister about further progress.

Among other matters, we wanted to consider the structure of Government and the perennial problem of how easy it is to embed the equality recommendations in all Departments to ensure that action is taken. We strongly recommended all Departments and public bodies to take the issue on board. To that end, we call on other Select Committees to include it as part of their remit. I have been on several Select Committees, and there is great variation in whether they take note of the matter. Most of those Committees have been dealing with economic matters, and they vary greatly in whether they regard it as necessary to ask questions about progress on equality in their inquiries, even if it is directly relevant to their work. It is important that other Select Committees should realise the importance of monitoring Departments in order to ensure that they take such matters on board.

The Committee undertook a survey of Departments. Their replies are included in the report, and they make interesting reading. We asked what Departments were doing to promote gender equality, what changes they had made in their processes and what they had done about public procurement. We received replies from 12 Departments; they did not all reply and, as one would expect, the depth of their responses varied. It might be enlightening for people to see which Departments have been making more progress.

I turn to some of our specific proposals. I cannot go through them all, as there are too many. The first was the fact that the causes of occupational segregation start with the assumptions that are made by families

and schools, as was said by the Chairman of our Committee, the hon. Member for Mid-Worcestershire. I reiterate the importance of giving careers advice and work experience more support and funding. All too often, they are seen as extra duties, and teachers do not want to take them on. I have had people doing work experience in my offices, both here and in my constituency, and there is great variation. Some monitor their pupils, telling them what to do and what they are expected to achieve in their placements; and others simply turn up to ensure that the pupils are there—it is clearly a bore and a chore. There is a great difference in how work experience is treated. Placements can be invaluable—for example, in breaking down barriers, as we heard from my hon. Friend the Member for North-West Leicestershire (David Taylor). If students go to only one work placement in one area—a placement that fits into a traditional area of work—they will not have any experience of what else might be open to them. Often, it depends on whom their parents or their friends know, and they have to sort it out for themselves. They do not necessarily have the opportunity to break down any of those barriers or to think about other sorts of placements.

We heard some interesting evidence from the YWCA, which has considered the matter closely and is talking about the need to have varied work placements and the possibility of opening people up to a different range of experiences. That is obviously one of the ways in which we can start to break down some of the assumptions about what jobs girls and boys should take up. There are also assumptions about what jobs boys should do and what they are able to do, so it is not an issue only for girls. It would be wrong to say so; however, people can be channelled into the areas that are expected of them. That is true in relation to expectations about educational aspirations as much as to expectations about where they will be in the labour market. Given the gender divide, those expectations result in boys and girls, and men and women, tending to go into separate areas of work.

I would like to hear more from the Minister on another matter. We were told in evidence that Ofsted is reviewing practices in order to ensure flexibility in adult education. We recommended that there should be additional funding, so that colleges would find it easier to run projects to enable older women who may want to change their work direction, as well as younger women with family commitments, to be able to do undertake such education—and a little pot of money to enable them to take that road might be a good idea. Such a review is important. Adult education can allow people to start again, to try something new and to have the opportunity to move on. We understood that that report would be available in April, but it has not yet appeared. The Minister may not know why; if not, I hope that she can find the answer.

Thirdly, we considered apprenticeships—another important area. We recommended that the Equality and Human Rights Commission and the Low Pay Commission should consider the gender pay gap for apprentices. Girls and boys tend to go into different apprenticeships. Again, the YWCA found in a survey that the lowest paid apprenticeship was for hairdressing, which as expected is more than 90 per cent. female; and the highest paid electro-technical trades paid twice the average, and is 100 per cent. male dominated. That will come as no surprise.

One development that has taken place since we reported was the Government's commitment to a massive expansion in apprenticeships. When I first saw one of our internal party political briefings, I threw up my hands in horror because it made no mention of equality. Ministers were upset and referred me to the proper document on apprenticeships, which included an entire paragraph on equality. I was heartened also at the announcement made at the TUC by the Secretary of State for Innovation, Universities and Skills, my right hon. Friend the Member for Southampton, Itchen (Mr. Denham): he announced an increase in the minimum pay for apprenticeships. We had asked that the Low Pay Commission consider the agenda pay gap. It was asked also to consider whether apprenticeships should be excluded from the minimum wage. However, the Government have announced that, pending the work of the Low Pay Commission, there would be an increase in the minimum pay for apprenticeships from £80 to £95 a week.

What pleased me was that the Department has the issue in its consciousness sufficiently that the Secretary of State pointed out in his speech at the TUC that young women—apprentices such as those in hairdressing and care—would benefit most. Clearly, there is concern, but that does not mean that it will be easy, if we have a massive expansion of apprenticeships, to begin to break down some of those barriers and get girls a broader range of choices of what they want to do. That is important.

We were disappointed, as was the women and work commission, with the Government response on quality part-time work. There has been an excellent quality part-time work initiative to create projects to get women into quality part-time work. When we asked Baroness Prosser at the first meeting what she thought was the most important issue, the first thing that she mentioned was that quality part-time jobs are essential. It is, or can be, easy to get part-time work, but it is hard to get part-time work of quality; all too often, women, even those in good career jobs, who go back to work after having a child, say, if they are able to go back part-time, find that they are demoted or that they have slipped down the career ladder. It is hard in general in a whole range of occupations to get decent quality part-time work. That also means that some of the experience and skills of older women is lost.

In their response the Government said that they will be reviewing the matter and deciding what to do, but we said that the amount of money available to the programme should be increased. That is still important. It raises the general point, which is relevant to other things, that we can do good projects and pilots, and get a range of employers as exemplars, as we have, that try to do positive work, but the difficulty is extending it. I do not think that the Committee had an answer to that, but we need to be conscious of moving beyond saying, "We did jolly well. We had some pilots", to working out how we extend them.

One of our main recommendations—we were rather bold in this—was that the Government consider a gradual extension of the right to request flexible working to the whole work force. We thought that we would be bold but, obviously, we understand that the commitments of people with young children and carers are paramount. However, at the end of the day, there is no reason why we should not be able to offer more flexible working

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patterns to the population. We know that that is a long-term aspiration, but it was important for us to consider it. Obviously, there has been an extension to the right to claim flexible working since then.

Julie Morgan (Cardiff, North) (Lab): I support the recommendation in my hon. Friend's report to extend the right to request flexible working to all members of the work force. Will she comment on a meeting that I had with trade union women last week? A number of the women said that they thought the right to request flexible working worked well in the public and white collar sectors, but not in others. They cited examples of women who were nervous about asking for the right to flexible working because they feared that they would be discriminated against in their jobs.

Judy Mallaber: I tend to take the view that that reflects badly on people's management rather than on the needs of the work force. I ran a small work force in a voluntary organisation of 20 to 25 people, and quite often people would sidle in with a look that said that they were either pregnant or wanted to change their working hours for another reason—one can quite often tell when someone is pregnant. It was often possible to arrange for them to work different hours. Obviously, it depends on the nature of the work force, and it will not be possible in some jobs, but it is perfectly reasonable that an employer should look at the possibility. The point is that they should be required to take it seriously and to have serious reasons for their decisions, is it not?

This example is striking. The Select Committee on Education and Employment, which was the first Select Committee on which I served, back in 1997-98, did a report on part-time workers. We invited people from supermarkets and shops such as Sainsbury's and Thorntons that have quite a good record of allowing flexible working, but we also invited people from the textiles industry. The latter said to us, "You don't understand about production lines. It isn't possible to have people working part-time." Some people who had worked in textiles for donkeys' years went off and had children but were not allowed to go back and work part-time. To my mind, that showed why the textile industry was in difficulty, because the management were not able to cope with organising a production line that could cope with flexible working arrangements.

Glenda Jackson (Hampstead and Highgate) (Lab): The points that my hon. Friend raises on the management of work forces are interesting. However, the reason why I support the idea of flexible working for the entire work force is that, anecdotally, I have learned that problems arise because some fellow workers resent the fact that some of their colleagues have a right to flexible working. Their argument is always, "Why am I not allowed that? Is it because I do not have children or caring responsibilities? It is unfair." It is not exclusively on the management level that this problem arises in the work place; flexible working can strike other workers as unfair, therefore the right to flexible working would be a great benefit all round.

Judy Mallaber: I agree with my hon. Friend. Interestingly, officials from the Graphical, Paper and Media Union came to see us during one inquiry. That industry features very traditional attitudes among the work force, but the officials talked openly about changing working patterns and flexibility, how it could be done and what they were doing to educate and work with their members to allow it. That was an interesting and surprising example. I think that that happened when we were taking evidence for this report, but these things sometimes seem to be seamless over the years.

Clearly, it is difficult, and it is just as bad for an employee simply to assume that they can have anything that they want as it is to assume that they should not be listened to at all. There has to be a balance between the needs of the job and the needs of the employee. That balance can be to the benefit of the employer when it is possible to offer flexible employment. It should at least be considered.

Interestingly, one of my real interests in getting the report done was giving a boost to publicity for the women and work commission. We have to keep going back, getting publicity and keep the pressure going, as has been said, if we are going to change attitudes. I was pleased that when the report was published, we got a massive round of publicity. I went on loads of TV, radio and all the rest of it, only to find myself being asked what I thought about Alan Sugar. I assumed that he made some comment on flexible working, but it turned out that he had made some rather unguarded comments, having been asked about the issue off the back of our report, that got a massive amount of publicity. He had said something about how people would not take on women and how employers should be able to ask about their life situation, children, whether they would have children, and said that there was a disincentive to employing women. He tried to row back on what he said by saying that he had employed some good women, but it was an interesting furore. Different attitudes have been put forward.

One of the members of the Committee was very keen—she was absolutely right—to say that although we were looking at occupational segregation, it is also important to look at the undervaluation of traditional women's jobs. There is nothing wrong with traditional women's jobs—they are important, but they are undervalued and underpaid often. What is more important than bringing up children and being involved in nursery care or primary school teaching, which mostly involves women? Many such jobs, including caring jobs; are among the most important, yet they are undervalued. We wanted to highlight that. The minimum wage is important in that respect, but we were given examples of projects within traditional areas of work by which efforts were being made to assist getting women higher up the scales. I am interested in what the Minister has to say on that.

We moved on to enforcement and legislation. There is a great deal of controversy—I will not to go on too long because otherwise, nobody else will have a chance to come in—over whether pay audits should be made compulsory, and we decided to take evidence from the TUC and CBI at the same time. That was interesting, partly because the CBI was saying that making pay audits compulsory, so that what is going on in the firm or in that area of employment can be seen and whether any changes should be made, was much too difficult and bureaucratic, and that it was one of the classic burdens on business.

At that point the people from the TUC said, "Actually it is very easy; you can do it in quite a light-touch way. Would you like us to take up a commission? We can come and do it for you at a fairly small fee. We will be happy to come and do some audits for your companies." That was interesting as a potential exchange, with the TUC setting up as an agency and sending its experienced officers to do pay audits elsewhere.

The issue of compulsory pay audits has not moved on, and I am sure that my hon. Friend the Minister will probably want to comment on our current position in relation to the equality Bill and the current big push for transparency and encouraging employers voluntarily to be transparent about, and publicise, pay structures. We felt that we could not at this stage conclude that pay audits should be mandatory, but we looked at the alternative possibility: we are still making our way on whether the gender equality duty in the public sector will have an impact, but another way forward could be to extend the gender equality duty to the private sector. We reached the conclusion that we would not recommend either course at this time; but that if the pay gap continues to decline only at the terribly slow rate at which it has declined until now, the Government should consider some of those further measures.

We took evidence originally at a time when people were putting their evidence to the Discrimination Law Review, which most people, including the Committee, were rather disappointed with. It turned out that by the time Ministers came before us they were rather disappointed with it, too. We moved on from some of the issues that were then being discussed. However, we thought that several of the issues that were raised should be examined, with respect to whether changes in legislation would help, including hypothetical comparators, representative actions and the role of equality representatives. I should be interested to know whether those issues are still on the table, and where we may be going with them.

We made some comments on no win, no fee lawyers, but if I get on to that territory I shall probably be here for the next hour. I did not like being ambushed when I was speaking about the report at a conference for Incomes Data Services. There were questions from the back, and I discovered that those concerned had not told me they were some of the lawyers raking in a fortune by taking up relevant cases. However, that is another story. It is an area of considerable concern.

I mentioned the survey of different Departments. One of our recommendations, which I suppose rests with the Minister for Women and Equality and with Select Committees, is to examine the extension of best practice beyond Departments.

The last measure that I want to mention, which is very important, and is a subject dear to the heart of the Select Committee, is public procurement. We have raised the matter on several occasions. There was one day when we were in Brussels and the officials there were very hazy about whether public procurement could be used to promote social objectives or whether that would be anti-competitive. We took the view that the advice given by the Office of Government Commerce is far too timid and that it could be the case that public bodies are indeed required to meet the gender equality duty and could be in breach of it if they failed to ask their suppliers and contractors to demonstrate active commitment to equality principles. They cannot necessarily ask them whether they have equal numbers of men and women, but they could be asked about a commitment to equalities principles and to showing that they have procedures to deal with those. In that context we are talking about £160 billion of contracts; the draft equality measures give a higher level than we had thought. There should be some requirement for those who obtain contracts to promote social objectives, particularly those that are set out in law, such as health and safety and equalities.

Public procurement is potentially a powerful tool for action. We are certainly very pleased that the Government have taken it on board. One relevant example is the Olympics Delivery Authority, which uses the approach in relation to social objectives. I met the person who deals with contracts for one of our biggest construction companies, who said that, far from there being a problem with including social objectives through public procurement, it was hoped that they would win some Building Schools for the Future contracts specifically by promising to deal in a big way with apprenticeships and training, and promoting that in the community. The hope was that it would be a plus point towards winning a contract, not that it would be anti-competitive and prevent their winning it. It was seen as potentially a positive way forward and certainly not something that would hold back industry.

There are many recommendations, and there is much more in the report, precisely because it is such a massive area, and it is hard to know where to start. It is a matter of working on all fronts at once. A number of actions have been taken, but it would be useful to know about further developments. Sometimes it feels depressingly as if we have made no progress, but at the last international women's day debate a fellow MP gave me a 1943 guide to hiring women, which I liked. It was written for male supervisors of women in the work force during world war two, and had several useful passages:

> "Be tactful when issuing instructions or in making criticisms. Women are often sensitive; they can't shrug off harsh words the way men do. Never ridicule a woman".
>
> "General experience indicates that "husky" girls—those who are just a little on the heavy side—are more even-tempered and efficient than their underweight sisters."
>
> "Pick young married women. They usually have more of a sense of responsibility"

than those flighty ones who have not got married yet. There are ten of these pieces of advice. I like this one:

> "Give the female employee a definite day-long schedule of duties so that she will keep busy without bothering the management for instructions every few minutes."

I am sure that there are some workplaces where one would still find some of those attitudes.

Glenda Jackson: You are not a million miles from one of them now.

Judy Mallaber: Yes, this place might be one—but when I found the sheet of advice again yesterday I thought that perhaps we are making some slight progress. I shall hold up those attitudes as examples of what we aspire to remove everywhere we go, but I hope we have moved on a bit beyond them. We can perhaps make a little more progress on some other issues, too.

The report is a good one. There are many recommendations and many people are doing a lot of hard work, but it is a massive area with an awful lot

[Judy Mallaber]

more to do. We were disappointed with the initial progress, but we were encouraged, as we continued, with the steps that were taken. I should be interested to hear further comments on those steps and where we are going.

3.17 pm

Julie Morgan (Cardiff, North) (Lab): This is an important debate on an important report. I congratulate the Committee on that report and in particular I congratulate my hon. Friend the Member for Amber Valley (Judy Mallaber) on leading the work on the report, and on her tireless work on the issues. Like her, I sometimes feel that we have a seamless process of meetings and debates, and I wonder where we are getting. However, from what she said we can see that we are making progress, if more slowly than we might wish.

There is obviously still a long way to go to close the pay gap. I am sure that the report is a step on the way. In Wales—and this will interest you, Mr. Williams, and my hon. Friend the Member for Llanelli (Nia Griffith)—the gender pay gap between full-time workers is 12 per cent., but there is a staggering 31 per cent. gap between the pay of a full-time male worker and a part-time female worker. That is obviously unacceptable. My hon. Friend the Member for Amber Valley has already described how part-time work is undervalued. I welcome her emphasis on the Government's getting back on track and getting part-time work valued more than it is now. Because women make up the overwhelming majority of part-time workers it is obvious that they suffer from the devaluation of part-time work.

We all know why women are the part-time workers: they are still the main carers. Despite some welcome changes and a move towards men playing more of a role in the family, particularly with young families, women are still the main carers in society. That means that they do unpaid work as carers and if they can work in part-time jobs they are paid at a lower rate than if they were in a full-time job. Women are hit both ways in that respect and it is important that the Government should get on track in valuing part-time work. I should like to hear what the Minister will say about steps to be taken about that.

We have already discussed the Committee's recommendation that the right to request flexible working should be gradually extended to all the work force. I am glad that the Government have extended that right to parents of older children and to carers of elderly or disabled relatives. However, there is a case for considering extending that right to every member of the work force because it would have good results in every respect.

As I said earlier, it is important to see how such a practice is working on the ground. According to Government figures, there have been a lot of successful requests for flexible working. It is great that that has happened in a voluntary way. However, for some women, flexible working does not work so well in practice, so we need to examine the matter further.

As my hon. Friend has already said, the key to reducing job segregation is education. We need to give young people the chance to see all the opportunities that lay before them at an early stage. Not long before its absorption into the Equality and Human Rights Commission, the Equal Opportunities Commission in Wales produced a document entitled "The Apprentice: Making genuine career choice a reality", which showed that young people, especially young women, were not given appropriate advice about the opportunities that exist that would give them a genuine freedom to enter any occupation. Arriving at the situation in which women feel that they can do any job is a huge step, but one that we must reach. We need to take small steps to get there.

The EOC report showed that women were guided into traditional careers, even though more than 80 per cent. of the girls said that they would be interested in considering non-traditional jobs. Therefore, at an early stage, women are interested in going into other areas, but they do not get the opportunity or the advice to do so. My hon. Friend referred to a very important proposal, which also came out in the Committee's report, that young people should do two work placements, including one that is non-traditional. Male students should have the opportunity to take up child care placements and female students should be able to take up engineering placements. That is important not only for men and women but for the future of those industries. I was interested in what the Chair of the Committee said about his interest in engineering. I know that at the University of Wales Institute, Cardiff, there is a dearth of students applying for its engineering course. The university has frozen those courses while it sees whether any more students will come forward. When only 50 per cent. of the possible applicants apply for the course—that is because many women do not even consider going into engineering—it could partly explain why there is a huge problem for such courses.

Glenda Jackson: I am very interested in the engineering issue. A few years ago, there was an event in the House of Commons organised by a federation of companies, particularly marked towards engineering and water. The representatives were bewailing the fact that insufficient numbers of young women were applying to become engineers. I said, "Why have you not approached them on the level that they would be of enormous benefit to the developing world?" Every young person that I know is passionately committed to helping the developing world. There may be an element of the industries themselves being unimaginative in they way in which they try to attract our young people to their particular disciplines. They should look at the problem in a more imaginative way.

Julie Morgan: That is an extremely important point. Employers and people who run engineering courses should try to capture young people's imaginations. Talking about the developing world and the passion that young people have is one of the ways in which they could do it.

My hon. Friend the Member for Amber Valley also made an important point when she said that we should think not just of women going into non-traditional occupations but men as well. Such a practice would help to boost the wages in those occupations as well as providing male role models in areas such as nursing, child care and primary education, which is hugely important. The issue of primary education has come up a lot in my constituency and I am sure that it has in other constituencies as well. In many primary schools, all the staff are women. It is obviously not good that

there are no male role models, so we need to make a concerted effort to encourage boys to go into teaching, and into primary schools in particular.

Another report that was produced by the EOC before it went into the larger commission in Wales was entitled "I Want To Fulfil My Dream". It looked at the opportunities that are available to ethnic minority girls and women. Some of those points are covered in the Committee's report. The EOC report showed that black and minority ethnic women in Wales are frequently at a double disadvantage with wider pay disparities than white women, and a lack of role models. They are also limited to certain types of job because they have to take account of family influence and religious and cultural restrictions. I hope that the Minister will consider ways in which we can open up opportunities to black and minority ethnic women.

The EOC report showed that the restrictions on work opportunities brought about by family and cultural pressures resulted in some good financial consequences. Some of the women felt that they were being pressurised into so-called respectable jobs such as dentistry and optometry, which are relatively well paid but reflect a narrowing of choice. After reading the report, I felt that the idea of restricting women and girls to respectable careers was confined to the minority ethnic population. I was thinking back to the south Wales valleys and the feelings of the miners in particular who wanted their children to go into the white collar occupations, such as teaching and medicine. Generations of teachers came from the Welsh valleys. There was a strong instinct of wanting to get children into safe and respectable occupations. It is important to raise the point about the restrictions placed on black and minority ethnic women in particular and I hope that the Minister will take it up.

I want to refer briefly to the modern apprentices. Huge opportunities exist to reduce gender segregation in modern apprenticeships. In fact, women take up fewer modern apprenticeships than men, so they start off at a lower rate. The opportunity is there to reduce that segregation. For a number of years, I presented the prizes at the Young Apprentice of the Year Award. The occupations covered by the award were mainly plumbing and engineering, and there was not a woman in sight. I always used to ask the employers whether any women were up for prizes. There never was and there never has been. Yet the employers said that they wanted to have more women taking up apprenticeships, but they never did. They were well-meaning, but as my hon. Friend the Member for Hampstead and Highgate (Glenda Jackson) said, they did not go out and capture the imagination of women and girls to encourage them into their fields. That is what we must do. We must make a huge effort to capture imaginations, and the earlier we can do that the better.

In conclusion, this report will move on the debate. Step by step, we are moving towards a better situation. It is taking a long time, but I am sure that the Minister, who has taken up her new post, will give all her enthusiasm to try to move things along.

3.29 pm

Glenda Jackson (Hampstead and Highgate) (Lab): I congratulate and thank the Select Committee on Business, Enterprise and Regulatory Reform for enabling my hon. Friend the Member for Amber Valley (Judy Mallaber) and her colleagues to produce this interesting report.

In the main, I agree with practically everything that has been said, although I must admit that I have my doubts about role models, because I am of a generation raised almost exclusively by women. They were my only role models, as all the males in my environment were away fighting in the second world war. Those women managed to run the country as well as their homes and families with great expertise. Of course, once the war was over, as at the end of the first world war, they were patted on the head and told politely, "Thank you very much for all your hard work. It was marvellous. Now go away and do what you do best, which is look after children and cook."

We have moved on slightly from that position, but this debate prompted me to revert to my early days in this place. I looked up our debates from 1993 on sex equality and from 1994 when, for a short period—I am happy that the practice has been restored—the House would debate women's issues on international women's day. I was rather shocked that, despite all the good work that our Government have done and the major changes that our party has made to encourage and support more women in putting themselves forward for election to the House, we have not moved very far. There is still an enormously long way to go. My hon. Friend said that it would be 80 years before we achieved equality of pay. That is much too long.

The Labour party made huge strides in ensuring that more women were given the opportunity to present themselves to constituency parties, to be selected and to present themselves to the electorate for election to this place. In Government, we have broken down so many barriers. In a speech in the House in 1994, I made the point that a woman had never been Home Secretary. We have certainly broken through that barrier, and there is no Department of State that is not more than well represented by female Ministers—they are excellent—but when we come to evaluating women's work as having innate value, we still have an enormously long way to go.

There have been changes; that is a theme that I wish to develop. For example, it is now entirely acceptable to see female doctors on television, whether in a soap opera or answering questions. We see female lawyers, female barristers and occasionally female judges, and women in the armed forces, but it is rare to find a woman plumber. It is even harder to find a woman electrician. They do exist; they have a confederation based in London and the south-east. It is extremely difficult to get one to come do a job, as they are always inundated with work because the quality of their work is so high.

One of the training schemes in my borough, Camden, ran classes in those skills. Initially, they were coeducational—men and women worked there together—but after a few weeks, the women were made to feel so uncomfortable by their male colleagues that they left, so the local authority set up segregated classes. For the introductory year of the programmes, whether for plumbers, electricians, painters and decorators or carpenters, women worked exclusively with women. By the second year, they could take on the men with no problem, and they had no trouble completing their courses.

[Glenda Jackson]

That brings me back to another point. Not only is women's work undervalued in this country, but women undervalue themselves. They do not believe that they are capable of doing anything and everything. It must have been 25 years ago that there was a falling roll because we were having fewer children. Business, industry and employers in general were concerned to attract mature women back into the work force. The BBC, which had an educational film unit—I do not think that it has one anymore—made a series of films in which I was the link person.

I remember distinctly one session in a major employment agency that was working hard to get mature women back into the work force. It had set up a series of seminars around the country. One interviewer said to me, "A woman came in to speak to me and I said to her, 'What have you done?' She said, 'I've not done anything. I left school, I worked for a couple of years in an office and then I had the children. I've raised the children, I've run my home and the kids are all away in university now.'" The interviewer asked her, "Well, what have you done in the last three months?" She replied, "I haven't done anything in the last three months. I've organised a wedding for 300 people." The interviewer said, "But don't you realise that those are major skills? A price can be put on them and they can be actively evaluated." She had not realised that. That is an attitude that still informs women, and society as a whole, far too much.

The matter on which I want to concentrate—it is of vital importance, and the Committee touched on it—is education. If, as I suspect, school careers officers now are pretty much like careers officers when I went to school, which was a very long time ago, the job is given to a teacher who has a spare hour every afternoon and has no particular responsibilities in any area. That is not good enough. We need properly skilled, properly paid, highly motivated individuals whose sole interest and purpose in life is to broaden their pupils' horizons about what is actually out there in terms of interesting jobs and professions, whether those pupils be girls or boys. I am concentrating on girls at the moment.

A week or 10 days ago, as part of the excellent House of Commons educational programme for young people, I was asked to take questions because the MP for the schools touring the Palace that day could not meet the pupils after the tour to answer their questions. I said, "Yes, I've got a spare hour or so; I'll come along and speak to them." There were dozens and dozens of highly intelligent, attractive young girls and one solitary boy, and they asked interesting questions—when I eventually got them to ask some.

All the girls, with the exception of six, were taking courses in child care. That was what they wanted to do. A teacher said to me, "Why are the Government not encouraging boys to enter child care?" I said, "We are"—we are clearly a Government committed to equality across the range—"but to transfer your question to my constituency and the families that I know, nine times out of 10 it is parents who don't want their daughters to do any job that will get their hands dirty." It is parents who push the caring professions, which we were all raised to regard as the natural field for women to work in.

There were dozens of young girls there who were committed to what they were studying and wanted to be good at their jobs, and there were six girls—six girls out of three schools—sitting behind them. I do not believe that they were deliberately segregated. I asked, "What are they reading? What are they going to do?" They were reading law.

That is a tiny, anecdotal microcosm of a problem that we must get to grips with. We must concentrate much more on opening horizons to all our children, but particularly to girls. We must do it not only in schools—where I think we must start much earlier than 13, 14 or 15—but by working much more closely with employers and companies. Not infrequently, when a school looks at potential careers for its pupils, even if it is absolutely committed to opening every available door, it looks only at the doors available in its own immediate area of employment. Schools are not looking further afield. I can understand that, certainly now as the world enters a slowdown—I know that we are not allowed to use the R-word—

Peter Luff: Yes we are.

Glenda Jackson: Well you might, but I do not think that we are.

Maria Eagle: Yes you are.

Glenda Jackson: Oh we are! *[Interruption.]* I was not saying "allowed" in a political sense. I meant that I did not wish to make even more panic-stricken all those people who seem to be selling their shares. Okay?

The Government were quick off the mark to say that additional money will be made available for retraining people who lose their jobs. We should regard that—touching on another part of the report—as a silver lining in encouraging older women to retrain. However, that will be very difficult, because of the lack of confidence in women. The longer that a woman has been in one particular job, the harder it is for her to think, "Okay, I can retrain, relearn and develop new skills," because she might not know that she has skills to develop in the first place. Often that needs pointing out to women.

We need a much more detailed approach starting much earlier in our schools. We also need to highlight the enormous potential value of a really good careers officer working much more closely with schools, local industries, businesses and, more broadly, the federations. I touched earlier on what I regard as a lack of imagination in the engineering industry in attempting to attract young women into training. We need more women in engineering, science and the boardrooms. Perhaps a changing world financial situation will encourage more people in the City of London who run banks to put women on their boards. Perhaps that could be one of the Government's requirements on banks—that the money will not be passed over unless there are clear signs that there will be more women, not necessarily in the higher-paid jobs, but in those jobs where the important decisions are taken.

As a nation, we take what women do too much for granted, without paying them proper tribute. They do an enormous range of work that is undervalued and very often underpaid. Far too often, women are expected to simply grin and bear it and get on with it, but we have

to acknowledge that to really open the doors for all our young women in the future, we will have to work quite hard on their parents and grandparents who still, in the main, would prefer them to take jobs where their hands are kept clean, and that will allow them to produce grandchildren and be near home so that they can always have them around.

A friend of mine once produced a huge series of articles on Henry Moore. Yet another enormous tribute had been paid to Henry Moore as one of the greatest artists in the world, and part of the series involved an interview with his mother, who at the time was a very old lady. The interviewer said: "You must be very proud of your son." Henry Moore's father had worked on the railways—I have a feeling that he was a fireman—and she replied, "I always wanted him to have a job where his hands were always clean." I do not think that we have changed much since.

3.44 pm

Richard Younger-Ross (Teignbridge) (LD): I apologise on behalf of my hon. Friend the Member for Solihull (Lorely Burt), who should be responding to this important debate on behalf of the Liberal Democrats. Sadly, she has been called to her constituency on fairly urgent business. However, I have been well briefed and shall try to follow my brief closely, for fear of criticism afterwards.

The hon. Member for Hampstead and Highgate (Glenda Jackson) talked about education, which reminded me of a joke that I like to tell on the dinner circuit. The police know that a man has committed a murder and that he will be at a certain house at a certain time. They enter the house and find four people playing cards: a teacher, a lorry driver, a scaffolder and a firefighter. They arrest the teacher. How did they know it was the teacher? Well, the other three were all women. It works on the circuit, because people in the pub or the hall do not think of the scaffolder, lorry driver or firefighter as being women. But they should do. The purpose of this debate is to help to move attitudes on so that in 10 years one cannot tell that joke, because it will not be funny—no one will think it odd that the lorry driver or scaffolder are women, or that the man is a teacher.

The Government are not helped when a Culture Minister remarks that little girls either want to be footballers' wives or win "X Factor"—actually she said that they "only" want to be footballers' wives or win "X Factor". There are problems, but the hon. Member for Cardiff, North (Julie Morgan) made the point that 80 per cent. of young girls would be interested in other careers, and the hon. Member for Hampstead and Highgate said that given the opportunity they would pursue those careers, but that often parents and grandparents constrain them. The question is: how should we deal with that?

The Business and Enterprise Committee recognised that the gender pay gap has reduced, as has been said, from 17.4 per cent. to 12.6 per cent. over the past 10 years. That is good progress on which the Government should be complimented. However, I think that the calculation is that it will take 20 years for the full-time pay gap and 25 years for the part-time pay gap to be eliminated. Only 10 per cent. of FTSE directorships are held by women, and according to the calculation that I have, it will take 65 years to close that gap. There are things that the Government can do to affect those issues far more directly than they are currently doing.

As the report stated, 60 per cent. of women workers are employed in just 10 of 75 recognised occupations, with the heaviest concentrations in—hon. Members can guess it—the five Cs: caring, cashiering, catering, cleaning and clerical work. The Fawcett Society has labelled 30 October as "women's no-pay day", because, if we take account of the 17 per cent. pay gap, that is when their pay would stop each year. As we approach 30 October, this is an appropriate time for this debate.

Why is the glass ceiling so pervasive in the workplace? All too often in this country we have a working culture of "presentism", whereby an employee's worth and dedication are assessed by the number of hours that they spend behind the desk or counter, instead of by the contribution that they make to the business or employer. Following a private Member's Bill tabled by my hon. Friend the Member for Solihull to extend the right to request flexible working to parents with children up to the age of 18, the Government have gone some way towards that by announcing their intention to extend that right to parents with children up to the age of 16 and to carers.

As was rightly said, the lack of flexible working lies at the heart of economic inequality between men and women. When children come along, one parent has to look after them, and of course it is usually the woman. That is not necessarily wrong in itself, and I am not going to say that women should not look after their children if they wish to. However, they should have the opportunity not to do so and to work if they so wish. We need employment regulations that allow them to do that. It is easier for parents and carers if they can work flexibly. It is also easier if men can work flexibly so that they can take care of the children as well. It works two ways, because often both parents need to have flexible working. It is not just a matter of women being able to work flexibly.

Laura Moffatt (Crawley) (Lab): I am pleased that the hon. Gentleman is talking about the dearth of flexible working for women, particularly in part-time work. Does he agree that it appears that women find themselves at the brunt of poor conditions and pay and are disadvantaged in the workplace because they happen to have a different anatomy and the equipment to carry a baby to term? Does he agree that we are penalising not only those women who look after a baby, but all women simply because they hold the equipment for carrying a baby to term?

Richard Younger-Ross: I agree with that point. It is women who bear the child. I am told that at some point in the future it will be possible for men to bear a child—*[Interruption.]* I am sure that some people will read that and wince.

Maria Eagle: We are already wincing.

Richard Younger-Ross: Some scientific research was done on a male baboon in south-east Asia so that it was taken to within two weeks of term. That is not the sort of experimentation that I approve of, but it proves that

[Richard Younger-Ross]

it is medically possible for that to happen—*[Interruption.]* That knowledge comes from some of the Bills that one occasionally gets to work on in this place.

Hywel Williams (in the Chair): Order.

Richard Younger-Ross: I am being asked to come back to the subject matter and I take the point, Mr. Williams.

All too often, mothers are forced to accept poorly paid part-time work or to give up work entirely in order to fulfil their role in caring for their children. Eighty per cent. of women are responsible for looking after the children, compared with 17 per cent. of men, which demonstrates my point. Too many women are in jobs beneath their skill level. The right to request flexible working should allow women to fulfil their potential and ensure that business does not lose out on their talent.

Flexible working can be very good for business: it can reduce absenteeism, increase recruitment and retention, and reduce stress. It can increase staff well-being, which in turn improves customer service and satisfaction. Fears that flexible working might damage business are unwarranted, because a request can be turned down if a valid business case can be made for refusal.

The hon. Member for Hampstead and Highgate referred to women-owned businesses. The Government state that they are unlocking the talent of women entrepreneurs and that that is at the heart of their new enterprise strategy, which included a £12.5 million capital fund for women-led businesses and a package for the support and promotion of women in business. I have to say to the Minister that £12.5 million is not an awful lot of money in that area.

Maria Eagle: It is.

Richard Younger-Ross: Well, I praise the Minister on the achievement of getting £12.5 million out of the Chancellor of the Exchequer, but I think that she ought to try to get a little bit more because it is an important area. I am not sure whether that money was extracted by the Minister or by someone else who is not here. I know that getting money out of the Treasury is very difficult for any Minister, but I believe that more could be done if there was more money for that package.

Fortunately, organisations that help women entrepreneurs to get started and build their own businesses do exist. Prowess is one such organisation. It has helped more than 100,000 women looking to start or grow businesses every year, and has helped 10,000 women get a business off the ground, contributing an additional £1.5 billion to the UK economy. In the context of what women can contribute by starting businesses, the £12.5 million that the Government have made available does not seem very much. Prowess has supported the launch of 25,000 new businesses each year, 35 per cent. of which are owned by women. In the UK, women-owned businesses make up approximately 16 per cent. of the business stock and 27 per cent. of the self-employed population. Total early stage entrepreneurial activity rates for women in the UK are 3.9 per cent of the total working age female population, and the female entrepreneurial activity rate is only half the male entrepreneurial activity. In the USA, the female entrepreneurial activity rate is stronger—more than double the UK's rate.

This year, a new organisation called WEConnect was launched to foster and register women-owned businesses in the UK. It enables companies that wish to consider procuring from women-owned businesses to search a register of companies. It started without Government funding, but, with backing from companies such as IBM, Accenture and Pfizer, which recognise the value of procuring from women-owned companies, it helps companies that want their suppliers to look like the people they supply to. The Government could do much to facilitate the growth of women-owned business by imposing quotas on procurement using taxpayers' money. With little or no cost, the Government could lead that growth instead of letting global companies forge the way in exercising corporate social responsibility.

The reality is that there are barriers for women in business that men simply do not have to negotiate. There is unequivocal evidence that women-owned businesses start with lower levels of overall capitalisation, lower ratios of debt finance and are much less likely to use private equity or venture capital. The level of start-up capitalisation used by women-owned businesses is on average only one third of that used by male-owned businesses. Recent evidence from the UK survey of the finances of small and medium-sized enterprises reported that women were charged more than men on term loans—2.9 per cent., as opposed to 1.9 per cent. That must be addressed so that women can grow their businesses, especially at a time of financial instability.

As the report highlights, one of the reasons why girls have historically taken low-paid jobs is that they had lower educational attainment than boys, but that is not now the case, as girls are achieving and succeeding. So if girls are succeeding educationally, why are they not taking up the other jobs? We now have female doctors and lawyers as role models, which was not the case in the 1970s. The question of careers advice was raised earlier, and what is said to girls in school to enable them to realise that potential is important.

Judy Mallaber: Is the hon. Gentleman aware that the Sub-Committee heard evidence—I cannot remember from whom—suggesting that women's pay levels five years after entering a job will be lower than that of the men in the same jobs, even though they started with the same qualifications? Many factors need to be tackled right along the line, because women are achieving well academically and at university, but that does not necessarily help when they get into the work force.

Richard Younger-Ross: The hon. Lady's point is entirely correct, as were her earlier points about pay reviews. I know that the report refers to those difficulties and that it is being looked at. We need the assurance that people get equal pay for equal work. As I said earlier, extra effort needs to be made to ensure that pay scales are the same across the board.

When girls and boys are going through their teenage years, they think about what they will do in life. When I was a young lad, my father said I should be a train driver, but I said I wanted to be a signalman so that I could control where the trains went and not just sit on one. Then I wanted to be a zoologist. I remember that

the girls at school wanted to be nurses or have similar roles. That has changed in part, but it is still girls who end up as nurses, and rarely boys who do so. When I go around the care homes in my constituency, I find that 80 to 90 per cent. of the care workers are Filipino women, because it is difficult to find people in the UK who want to do that work.

If I remember rightly, this Chamber used to be a cafeteria in the early 1980s—

Peter Luff: It was the Grand Committee Room.

Richard Younger-Ross: Well, the cafeteria must have been downstairs or underneath. I know that it was in this part of the building. The catering staff provide an example of this problem. Most of the people who served then were women, just as today most of the staff in the cafeteria are women, while the cooks in the back are men. Inequalities here have not been addressed by our procurement and employment practices.

The hon. Member for Hampstead and Highgate mentioned plumbers. My point is that this issue is not just about highly paid, powerful jobs; it is also about getting girls into other careers. How do we get them to be lorry drivers and bricklayers and into the construction industry? That is where we are falling down. The idea that they all want to be Barbie dolls is not true. That is nonsense and an insult to girls.

We must face problems and consider what we can do in terms of business and procurement. There is no reason why this House should not encourage far more businesses that tender for work here to be owned by women. That could be done within existing legislation. When the House of Commons Commission wants building work done, it ought to try to get tenders from women-owned businesses, and ensure that the same happens with subcontractors. That can be done by this House and this Government; it would not require a long time to achieve that.

Maria Eagle: The employment practices of this House are dealt with by the Commission, not by the Government. Perhaps the hon. Gentleman should be more accurate in his suggestions.

Richard Younger-Ross: It is within the power of Members of this House to affect the Commission. I am fairly sure that if the Minister were to talk to the Commission about employment, it would happily listen to her. She could use her influence on the Commission. I hope that it will take note of the comments that have been made in this debate.

I have taken up enough time. I know that the Minister will want to respond at length and that the hon. Member for Cotswold (Mr. Clifton-Brown) will also wish to speak, but before I sit down, let me give a few statistics from a note that I received from the British Medical Association in response to the report. It notes that women have been practising medicine for 150 years and that more than 60 per cent. of medical students are women—so there has been progress. However, women still make up less than 40 per cent. of hospital-based doctors and general practitioners. Among medical academics, statistics show that only 11 per cent. of clinical academic professors are women and that 20 per cent. of medical schools do not have a single female professor. It says that in all strands of medicine, women have found that there is still a glass ceiling in career progression. Figures show that in 2006, in England, women accounted for 37 per cent. of medical hospital staff but only 25 per cent. of consultants. In surgery, only 7 per cent. of consultants were women in 2003. The BMA says that part of the difficulty is a lack of flexibility, and that flexibility in training has become worse. That is an issue for the NHS, and I respectfully suggest to the Minister that the Government can deal with that.

4.3 pm

Mr. Geoffrey Clifton-Brown (Cotswold) (Con): It is a pleasure to have you in the Chair, Mr. Williams. It is also a pleasure to support the excellent Chair of the Select Committee, my hon. Friend the Member for Mid-Worcestershire (Peter Luff), and the hon. Member for Amber Valley (Judy Mallaber).

Broadly speaking, this has been a constructive debate. This subject is very important, because it costs this country a great deal of money. When I was thinking about what I wanted to say, I took advice from a friend, telling her that I had to speak on a Select Committee report, entitled "Jobs for the Girls: Two Years On". She said that the title was patronising, and ought to be "Jobs for Women: Two Years On". I thought that the difference is that they are girls until they leave school and women afterwards, and that the fact that the report deals with careers advice is probably one reason why that is the title.

Judy Mallaber: I think that the fact that the title has caught the hon. Gentleman's attention makes our point. Given that the style of Select Committee reports is not very jazzy, we were trying to find something that would attract people. Of course, this issue does start at an early age, because what happens to people starts in childhood, or even before birth. Also, women are sometimes referred to as girls in a slightly derogatory way, as opposed to boys, who are always called men.

Mr. Clifton-Brown: I entirely agree. When I was a member of the Select Committee on the Environment, we were the first to have a cover jacket that was slightly more jazzy than the standard green report, so it can be done. I agree, too, that the title attracted attention. It certainly attracted several comments from my colleagues when they knew that I would reply to this debate.

I agree entirely with my hon. Friend the Member for Mid-Worcestershire that the whole thrust of the debate should not be altered in any way as a result of the economic slowdown—let us call it that. This is a serious issue, and we need to take sound, proportionate measures. Since 1997, the Government have introduced 18 Acts and 280 statutory instruments dealing with employment legislation. That is a severe burden on business, particularly small businesses, as it is reckoned that 80 per cent. of small businesses do all their paperwork themselves. It is therefore no wonder that the former Secretary of State for Business, Enterprise and Regulatory Reform, who is now the Secretary of State for Defence, has said that we need to

"challenge the automatic assumption that the only way to deal with exploitation in the workplace is by passing new laws".

[Mr. Clifton-Brown]

The purpose of my intervention on my hon. Friend earlier was to establish whether he felt that this matter would best be dealt with by legislation, a change in attitude or good practice. I think that he ducked the question, but that his answer was absolutely correct. The general theme is that all three are necessary.

The new millennium has witnessed a considerable change in the composition of households, particularly with an increased number of lone parents. We need to recognise that equality has changed, and we must change with that change in the general composition of the population, families and workplace practices.

Judy Mallaber: The hon. Gentleman needs to be careful with his argument. Obviously we need action on all fronts and legislation alone does not get us anywhere, but I recall that it was not even regarded as legitimate to put in a claim for equal pay until authority was given to that idea when it was put into legislation. That in itself led to people believing that they had the right to claim equal pay. As a member of the Regulatory Reform Committee, I know about the rather dubious "business barometer"—of the Federation of Small Businesses, I think. I am conscious that the main aim, when talking about burdens on business, is to say almost that women should not have the right to maternity leave. I hope that the hon. Gentleman will not stray too far down that path in opposing legislation as an important way of giving rights and of enabling us to bring equality to and make progress in the workplace.

Mr. Clifton-Brown: If the hon. Lady hears me out for the rest of my speech, she will find that I shall deal, and agree with, most of the points that she has just made.

As has been mentioned, UK men earn, on average, 17.2 per cent. more than women, resulting in the average woman losing or forgoing £300,000 in her lifetime, which in turn has an effect on her pension entitlements. Further, male earnings are growing at a faster rate than women's, despite the fact that women are promoted younger and faster than their male counterparts. Several examples have been given in which a man and woman have applied for similar jobs within a company, and within a short time, the man was earning more than the lady for doing similar work. That is to be utterly deplored. We should promote equal work for equal pay. That is covered in the Equal Pay Act 1970, which was given Royal Assent some 37 years ago. We have come some way in that time, but there is still a long way to go.

We have an ageing population, and it is important to note that women are also discriminated against in the amount of pension that they receive. As my hon. Friend has said, 3.8 million retired women still do not receive the full state pension, and a further 1.1 million will retire without an adequate pension between now and 2010. Will the Minister address that problem? Do the Government have any proposals to deal with it? The fact that for every £1 men contribute to a pension, women will receive only 32p remains grossly disproportionate and something that must be addressed.

Richard Younger-Ross: One of the reasons that women receive less pension is the current contribution system. Is it now the view of the Conservative party that instead of having contribution-based pensions, we should have a residency-based pension, which would deal with the inequalities of the state pension?

Mr. Clifton-Brown: The whole pensions area is difficult and I will not commit to that on behalf of the Conservative party this afternoon. It is something that requires careful thought before any commitment can be made.

Women are half as likely to be involved in start-up activities as men, as the hon. Member for Teignbridge (Richard Younger-Ross) said. Although the number of female entrepreneurs rose by 3 per cent. between 2003 and 2005, a report by the small business survey has found that the new female-run businesses are replacing rather than adding to the existing male-run stock. Indeed, in the words of the Home Secretary and former Deputy Minister for Women and Equality:

"If women started businesses at the same rate as men, we would have 150,000 extra start-ups each year."

In addressing the issue it is interesting to look at what is going on in the rest of the world, as the hon. Member for Teignbridge did. At present, the UK has one of the lowest ratios for female-established business ownership compared with the rest of the G8. In contrast, in the US, as the hon. Gentleman said, female entrepreneurs are twice as likely to run their own firm as their British counterparts. Other countries such as Canada, Germany, Belgium, the Netherlands and Italy also boast a smaller gap between the number of female and male entrepreneurs.

Even with the changes to the Equal Pay Act 1970 and the equality Bill, it is clear that the Government are not going far enough. I am sure that it will be a surprise to many that in the past three years the number of female councillors has fallen 16 per cent. and we have a lower proportion of women MPs, at 19.5 per cent., than Iraq, Afghanistan and Rwanda, where I was for two weeks in the summer.

Maria Eagle: I am glad to hear the hon. Gentleman highlighting that issue. What is his party going to do about it?

Mr. Clifton-Brown: I was not going to say this, but if one examines the number of female prospective parliamentary candidates in the Conservative party, there could be many more female Conservative MPs after the next election than at present. I happen to believe that a number of them are in seats where they will be elected.

Peter Luff: I must give an advertisement for my own county. I am glad to say that should we sweep the board in Worcester as I expect we will at the next election, there will be three men and three women. That is an ideal model for the whole country: three-all, very good.

Mr. Clifton-Brown: I am delighted to concur with my hon. Friend. Having met at least one such female candidate, who will become my immediate constituency neighbour, if my knowledge of the map serves me, I can say that she is a very competent lady indeed, and we will certainly benefit from her presence in the House.

I would like to go through one or two of my party's proposals to deal with the problem of discrimination and the gender gap. We need to ensure that employers

cannot discriminate against women in the workplace in any way. At present an employee who wins a tribunal case against their employer on equal pay may receive redress, but other employees who have been similarly discriminated against in that same workplace are not automatically helped by the tribunal finding. There are no requirements or encouragement for the employer to change its pay policy. That is something that we would like to see addressed.

The Conservatives recognise the importance of a transparent and stable regulatory framework. We would introduce new rules, so that an adverse tribunal decision against an employer would automatically trigger a pay audit—something that the hon. Member for Amber Valley mentioned. I am proposing not a universal pay audit, but one that would be triggered by an adverse tribunal adjudication. The employer would have to carry that out according to agreed guidelines. This approach is a proportionate measure to protect employees against unscrupulous employers, while also minimising the burden on companies following a tribunal decision. Currently, employers can claim the pay gap is due to a material factor but the tribunal does not have to decide whether that is reasonable. We will change that.

It is often women who seek to work flexibly because they are much more likely to have caring responsibilities. However, jobs currently available on this basis tend to be more poorly paid and have therefore significantly contributed to the gender pay gap. The right approach to tackling this problem is to extend the option of flexible working, where possible. That would broaden the variety of jobs available on a flexible basis, including better paid jobs, and would also help to reduce the stigma too often associated with flexible working.

The contribution that flexible workers provide to the economy is often understated and undervalued, not only by employers. I take the point made earlier that often women undervalue themselves. As my hon. Friend said, not only do they undervalue themselves, they are sometimes not strident enough at standing up for themselves on pay and conditions with their employer. We need to acknowledge that such workers are helping the economy by investing their time and energy in bringing up the future generation—good citizens help the economy by working and paying taxes. Their performance levels are also of an excellent standard: 90 per cent. of employers believe that their flexible workers often outperform their traditional full-time colleagues.

Considering those benefits, it is important to support flexible workers as much as possible. That is why as the Select Committee proposals state in a paragraph that we support, the Conservatives are committed to extending over a period of time the Employment Act 2002 to all parents with children aged 18 or younger. With reference to paragraph 19 of the Select Committee's conclusions, we support the gradual extension of child care entitlement to the parents of two-year-olds in the most disadvantaged circumstances. Our child care costs are the among the highest in Europe and Labour's approach to child care restricts the choice for those parents who decide they want to work.

Aside from implementing measures to ensure that women receive equal pay, more needs to be done to support young women to make broader and more ambitious career choices, helping them to achieve their full potential. That would also add greater value to the work force by helping to solve the current problem regarding skills shortages. I support the important points made by the hon. Member for Hampstead and Highgate (Glenda Jackson) about careers guidance. Too often, careers guidance is given by somebody on a part-time basis who does not have the up-to-date skills to provide a broader and more imaginative horizon, which can guide women into less traditional areas of work such as engineering. Yesterday I was with the Chemical Industries Association, which said it is terribly important to encourage women to continue to do unpopular subjects at school, such as chemistry, physics and mathematics, so that they can go on and do jobs that would not necessarily be associated with women, for example in engineering and the chemical industries.

Laura Moffatt: I am listening carefully to the hon. Gentleman. Will he clarify something for me? He is reading us the policy response to the Select Committee's report. Is he saying that his party would only allow two-year-olds to have access to child care if they were from poorer families, unlike the Government's proposal that there should be universal care for two-year-olds?

Mr. Clifton-Brown: Obviously, the aspiration must be for all two-year-olds, but we want to start with the most disadvantaged families first, because they are the ones in greatest need and least able to afford the current high cost of child care, so that is where we have got to at present.

We agree with the Select Committee's recommendation in paragraph 10 that more must be done to realise

"the importance of these apparently 'extra' duties of careers advice and work experience."

Providing advice for women from a young age is essential. As stated in paragraph 11, it is particularly useful for small and medium-sized enterprises that normally do not have a human resources department and therefore find it much harder to forge positive business-education partnerships at the local level.

Judy Mallaber: On the hon. Gentleman's previous points about flexible working, I find his party's change of heart on some issues quite remarkable, given its previous voting on them. Is he also looking at giving advice on talking to business about the advantages that he portrayed so well? Are he and his party now seeking to point out to businesses that there are advantages in that sort of flexibility and in those proposals?

Mr. Clifton-Brown: The hon. Lady may know that international trade is part of my Front-Bench responsibilities. I spend a great deal of time speaking to business people, and, obviously, the subject of the gender gap frequently comes up. The lack and loss of skills that result from not employing enough women in various sectors is a frequent topic of conversation. So, yes, the whole gamut of what we need to fill the gap comes up in discussions held by me and others in my party.

As the Select Committee's report states in paragraph 29, there are currently insufficient training opportunities, and the few that are available are geared specifically towards younger, less-qualified women. They fail to help the more experienced women who are eager to

[Mr. Clifton-Brown]

return to the workplace after fulfilling caring responsibilities. The report states that that is unfair, particularly considering that

"those who will form the UK's 2020 workforce are already at work"

and therefore need less guidance from those who are older or younger than them.

So, where do we go from here? Providing equality in the workplace must remain at the forefront of our agenda. The principle of equality needs a simple, clear philosophical approach that enshrines fairness, common sense and clarity. I agree strongly with the Select Committee's comments in paragraph 67 that both the trade unions and management must be involved in bringing about cultural change. Like the Select Committee, we, too, are

"disappointed that the Government's support for union equality representatives appears lukewarm."

Judy Mallaber: Will the hon. Gentleman give way?

Mr. Clifton-Brown: I anticipated that that would bring one of the Government Members to their feet.

Judy Mallaber: As I recently attended a TUC conference of equality representatives which was strongly supported by Ministers, many of whom attended, and as I have in the past spent a whole morning in a Committee in which his party opposed our having trade union education representatives who actually benefit education in the workplace, I find his comments rather surprising. Such measures are strongly supported by the Government.

Mr. Clifton-Brown: The comment that was critical of the Government's support for equality representatives in trade unions was in paragraph 67 of the hon. Lady's own report. I find it a little hard to understand why she is criticising her own report.

We must continue to encourage similar efforts in all businesses so that the gender gap begins to narrow at a much faster rate. Not only is it important for women that that occurs, but equality of opportunity underpins a strong economy, and a strong economy enables everyone to play their part. Quite simply, unless we make substantial progress to close the gender gap, we are wasting valuable talent, hindering social mobility, failing to deal with family breakdown and, above all, failing to deal with the poverty gap. Why is more not being done when the Equal Opportunities Commission calculates that increased women's employment could benefit the economy by up to £23 billion? It will be interesting to hear from the Minister how she proposes to deal with the problem.

4.24 pm

The Parliamentary Secretary, Government Equalities Office (Maria Eagle): It is a pleasure to be here in a new role—as of last week—as one of the Equality Ministers. I have, of course, dealt as a Minister with equality issues in the past: between 2001 and 2005, I was the Minister with responsibility for disabled people. Consequently, I have a background in dealing with equality issues, not to mention the sort of experience that those hon. Members on this side of the Chamber, all of whom happen to be women, have had in their lives.

One of the things that struck me about this interesting debate was the widespread support for the concept of closing the gender pay gap and ensuring that women and men have equal opportunities. That is very welcome, and it is welcome to get support from the other side of the Chamber. Once the point is conceded that progress is desirable, we have to consider how it can actually be delivered in practice.

Something that worried me ever so slightly about some of the remarks made by some Members was that I did not hear an understanding of the concept of discrimination, or of the multiple issues that discrimination raises in a society and the consequent necessity of tackling it through legislative means and in other practical ways. However, the fact that we all agree that the gender pay gap and equal opportunities are important is a good basis from which to start.

I congratulate the Select Committee, which is chaired by the hon. Member for Mid-Worcestershire (Peter Luff). His remarks, though short, set out in full his appreciation of the work that has been done. He clearly made the point that it was not he who did the work, but a Sub-Committee of his Committee. It is excellent that he has taken the time to be here for the whole of the debate, even though he should have been in two other places, and to listen to the follow-through that this opportunity has provided in respect of the work that has been done, which was led by my hon. Friend the Member for Amber Valley (Judy Mallaber). She chaired the Sub-Committee that produced the report. It is excellent that both she, with her erudite and knowledgeable contribution, and the hon. Member for Mid-Worcestershire, who oversaw the entire process in his role as Chairman of the Select Committee, were able to be here. Both contributions were excellent.

I also thank other Members for their contributions and interventions. Not all of those who intervened are still here, but the interventions were all useful, and we have had an interesting debate. I shall take some time to reply to some of the points that have been made, and then I want to say something about where the Government are in respect of the new equality legislation that will be introduced.

There were some exchanges between the hon. Member for Cotswold (Mr. Clifton-Brown) and the hon. Member for Mid-Worcestershire about whether legislation, some kind of nurturing and support, or some other non-legislative means of making progress were required. They seem to have agreed that all three were required. Given that we still have to overcome centuries of inequality to close the remaining gaps—which, although narrowed are still too wide—I believe that we all accept that. It would be foolish to suggest that there is one easy, magic-bullet solution that would deal with all the problems, not least because, as my hon. Friend the Member for Amber Valley said so clearly—there is a great deal of evidence and much work has been done in this respect—the gender pay gap and gender inequality are multiple and complex issues that are not susceptible to just one policy resolution.

There are many fronts on which we must fight to deal with the remaining problems, close the gender pay gap and end the gender inequality that we still see in our society. There are many ways to move forward. The Government welcome support from Members across the Chamber on policy that will work to make a difference.

We all want to make a difference and close the gap. I shall deal with some of the specific points that hon. Members made and then say a little about our plans for the future, particularly the equality Bill.

My hon. Friend the Member for Amber Valley made the point—I believe that other Members did as well—that this is not just about fairness, although fairness in society is tremendously important. There is nothing more off-putting to a young girl than to see she has not been treated fairly because of her gender. Young people and children are susceptible to the issue of fairness; they know when something is not fair. Unfairness can make a deep and lasting impression that can undermine people's confidence and may, if they think there is no chance to fulfil their potential, remove their capacity to fulfil it. Some of the most powerful experiences that girls have are things that pigeonhole and stereotype them in their early life. That can be a powerful disincentive to trying to break through those barriers and do the unexpected. It is important to tackle such issues at that level.

Hon. Members' points about education and careers guidance are tremendously important, but so are the points made about expectations among families—those of parents and relatives—about what young people will do when they grow up. The hon. Member for Teignbridge (Richard Younger-Ross) wanted to be a signalman when he was growing up. I wanted to be a Member of Parliament. I fulfilled my ambition and here he is—an MP, not a signalman. I do not know if he ever was a signalman.

One reason why I am in this place is because my parents told me that I could do whatever I wanted: I just had to decide what I wanted and they would support me. That can make a tremendous difference in anybody's life. We have to ensure that we focus on these influences, including expectations and stereotyping, which can start early in life.

Glenda Jackson: I agree with what the Minister says, but equally that stereotyping goes on long beyond the point of being a young girl, into being a young woman.

We have all had experience of ringing public companies and our first contact with that company, whatsoever it is, is usually a young woman on the telephone. If that young woman is asked a question that is outside her tick-box paper in front of her, she is completely and utterly lost. The point that I am trying to make is that companies do not spend sufficient time, effort and money training those young women. That underlines, yet again, the young woman's sense that what she is doing is irrelevant and that for her to want to be anything more than just somebody who answers the phone is a complete waste of time.

Maria Eagle: I agree with my hon. Friend to the extent that she is right that there are expectations in society and roles and jobs in life that are undervalued or less valued than others. Part of the reason for the part-time pay gap is that women are crowded into jobs that are undervalued and less valued. That is one of the complexities that we face in closing some of these gaps. It is not just easy and simple to say, "Let's have equal pay." If 80 per cent. of part-time workers are women and part-time pay is a lot lower, then it is not a surprise that more women are underpaid than men.

We have to tackle these issues across the board, not just because of the importance of fairness in our society, as my hon. Friend the Member for Amber Valley said, but also, as a number of hon. Members said, because it matters to our economy and its health and to our society as a whole that we make the most of the resources that we have. Our biggest and best resource is our people—all our people, not just the men.

Mr. Clifton-Brown: I mentioned how other countries are doing much better in terms of training, skills and retention than we are. In considering the problem of how to upskill our work force, whether women or men, will the Minister look at some international comparators?. I particularly commend how the Germans manage to retain skills and train people for the workplace.

Maria Eagle: Yes of course, in trying to solve these problems we should look at international experience and ensure that we have the fullest possible understanding of what needs to be done and what works. There is no point reinventing the wheel. We look at international comparisons and try to find the best way forward in respect of all these matters.

Richard Younger-Ross: The Minister's light-hearted jibe a moment ago about my expectation to be a signalman and hers to be an MP touches on a serious point: it is about expectation. When I was a young lad, in my teenage years I lived in a 22 ft by 7 ft caravan. There was no expectation that someone from such a background would become an MP. Changing people's expectations of what they can achieve is important, whether it is a matter of social inclusion or gender that is the bias.

Maria Eagle: I agree with the hon. Gentleman. I do not for one moment suggest that only gender is stereotyped. People can be stereotyped for other features in their lives. Being from a poor or deprived background may also lead to a lack of aspiration and expectation, but being from a black or minority ethnic community background may not: being the son or daughter of an immigrant may mean that there is more aspiration in the family. These things are not simple and easy to compute and they do not always translate directly from the stereotype into success or failure in job terms. That is one reason why the consequences of stereotyping and discrimination are quite difficult to tackle and remove.

It is indubitable that we are making progress but we accept that we need to do more, and so do all hon. Members in this Chamber. The fact that we wish to do so is welcome. Now all we have to do is work out precisely how and then march forward to a better place, because that is what we are looking to do in respect of this issue.

My hon. Friend the Member for Amber Valley made some points about these matters being cross-Government and she is right. She is right to suggest that it would be a good idea for Select Committees dealing with other Departments to take an interest in this matter. I am sure that she will use her good offices to encourage that and that hon. Members in this Chamber who are involved with other Select Committees will do the same—as Ministers do, by the way. Part of my job in the Government Equalities Office is to get hold of other Departments where equality issues matter and focus their minds on

[Maria Eagle]

doing something about this agenda in their day-to-day work. That is partly what the Government Equalities Office does and that is, partly, now my role as a Minister.

A great deal can be done, but always and everywhere we have to keep reminding policy makers and civil servants that these issues should be high up the list, not low down the list, or off it altogether, because it is simple for them to slip if those things are not always in mind. It is important to have women at high levels in the civil service and in Parliament across the board—I encourage Opposition parties to get many more women into their parliamentary parties, as we have, although we still need to do better—because women will keep raising this issue. I am not saying that it never happens in a room full of men, but this subject is not necessarily as high up the list if there are no women involved.

We all bring our life experiences to the jobs that we do, whether we are signalmen on the railways or MPs. That is why it is important to have better representation at all levels, whether on company boards, in ordinary work forces in small or large companies, in Parliament, in the council chamber, in policy making or the health service. That is why we need diversity. It is not because we just want some numeric equivalence to the general population, but to try to ensure that we tackle discrimination that has arisen not necessarily deliberately—society has not been set up to discriminate—but as a result of the way in which it has been run in the past. Only by tackling those issues everywhere where we come across them can we eventually make the progress that we want to make.

Glenda Jackson: I do not agree that society was not set up in a discriminatory way: it most certainly was. It has moved on, but we have not gone all the way yet.

Will the Minister raise the idea with the Department for Culture, Media and Sport that it could, for example, begin to encourage the people who make television programmes, or those who publish magazines that target young and teenage girls, to set up role models that are not, as someone mentioned earlier, a kind of Barbie doll and begin to proselytise for those careers and professions in an interesting way?

Maria Eagle: My hon. Friend makes a valuable point, and I shall take it up with the Department for Culture, Media and Sport. I am sure that that she will take it up with every journalist and editor she talks to, and everyone who is involved in that. We must all take such issues up with those who are spreading stereotypes.

Peter Luff: I am so grateful for the comment made by the hon. Member for Hampstead and Highgate. I acquired some infamy when I was new to this place because during my first Parliament I introduced a Bill about teenage magazines for girls. My chief objection to those magazines was, and remains, the complete lack of aspirational role models. They portray women as sex objects who dress up and look pretty to win men and to have fun. They contain no aspiration whatever, and I wish that their publishers would include at least a page or two of aspiration with the other nonsense that they carry.

Maria Eagle: The hon. Gentleman makes a powerful point very well, and I do not think anyone would disagree with him. More power to his elbow when he is talking to the editors of such magazines. We can all do our bit in that respect.

Judy Mallaber: I totally agree with the passion of the last two comments, which were good and strong ones.

Another advantage or change arising from ensuring diversity is that it may lead to a different style of working. I am not suggesting that women may not be incredibly argumentative, tough, nasty and so on, but when I stood as a parliamentary candidate, both my Liberal Democrat and Conservative opponents were women, and I was conscious that, although they were by no means shy or retiring, the style of our debates was slightly different. We did things in a different way, and that may have advantages. A room full of men, as opposed to a room full of men and women, has a different atmosphere, attitude and way of going about things.

Maria Eagle: I agree with my hon. Friend. The more styles and different approaches there are, and the more they reflect life in the real world, the better.

Reference was made to the causes of occupational segregation, and my hon. Friend the Member for Cardiff, North (Julie Morgan) and Opposition Members mentioned careers advice, work experience and placements that try to tackle segregation when young people are deciding what they are interested in and seeing what the world of work is like. I agree that we can do more, and we are working on that. It is difficult to change the attitudes of parents and families, which may be powerful and influential in forging the approach of young people to their own lives, but we must do more about that, and the Government agree with the Sub-Committee's approach.

Richard Younger-Ross: A problem with work placements, particularly in construction, is that boys, let alone girls, are not being taken on because of insurance problems. If we cannot get young people into work experience, we shall not overcome the hurdles. Will the Minister consider how the Government could deal with the insurance issues that arise from people doing work experience on construction sites, in factories and so on?

Maria Eagle: I will certainly take that up with my colleagues in the relevant Departments who are tackling the issue daily.

My hon. Friend the Member for Amber Valley asked about the Ofsted review of practices in flexible adult education. That work is ongoing, and I cannot give a time scale for publication, but I shall try to find out what the likely time scale is. I understand that there is not, as yet, a planned publication date.

Various hon. Members referred to apprenticeships, and in January the Government set out their plans to expand the number and range of apprenticeships in England, including proposals to increase the take-up and completion rates of apprenticeships by learners who are currently under-represented in the programme. We recognise the under-representation, and are trying to ensure that it is tackled. The Learning and Skills Council is spending £16.5 million to fund up to 8,000 adult apprenticeships this year for priority groups,

including women and people from ethnic minorities who seek to enter a career in areas where they are under-represented.

The equality Bill—I shall say a little more about that later—provides the capacity for those choosing between equally qualified candidates for jobs to consider the make-up of the work force. That is called positive action in some places, and to my mind it is obviously important that companies that want the benefit of having more women in their work force and a better and more diverse mix of skills and people may want to make that choice, and why should they not do so overtly? We shall consider that in the upcoming legislation.

My hon. Friend also referred to the quality part-time work initiative and the fact that her Sub-Committee had wanted rather more money for that than was found. I acknowledge that that was said. The 12 pilot initiatives that were funded have taken place in different sectors, and we are expecting a final report on them soon. I cannot yet say exactly what impact each one has had, or whether they have been successful and made a difference, but we should have some idea in the not-too-distant future of how they did because they have now finished. My hon. Friend may know that we have reconvened the women and work commission, which can consider the outcome of those pilots, and no doubt it will have something to say to us when the report comes back to us, which we expect to be in the spring 2009.

Judy Mallaber: Does the Minister agree that a serious problem, not just in this area of work but in many areas, is that we are often good at having pilot projects or something that lasts for perhaps three years in our constituencies—we have good ideas—but we are not as good at working out how to roll out the best bits in the long term so that the good ideas stick and last? Is she considering that in the various areas mentioned in the report?

Maria Eagle: Yes, we need to see how well the quality part-time work pilots went, and I cannot yet give an answer on that because we are considering the matter at the moment and the final report has not come to Ministers. Obviously, we do not want to fund initiatives that do not make a difference and do not work. When we know what works, we shall have the opportunity to use our mainstream funding for training—it will come mainly from the Departments for Innovation, Universities and Skills and for Children, Schools and Families, and the Learning and Skills Council—to try to ensure that we address the imbalance of how well courses relate to the needs of men and women. If we have evidence, it will give us an opportunity to use mainstream funding rather better, and that is very much the answer to my hon. Friend's question.

It is not always the case that one should or could find another £100 million, £12.5 million or whatever is required to do something if one has found out through pilot projects that something works and there is a big programme, such as LSC's, of rolling out workplace learning and training. There is no reason why the money that it is spending should not take account of what works and what is needed in the economy. One hopes to go forward in that way, but I am not yet in a position to tell my hon. Friend how things have gone.

Glenda Jackson: I appreciate that the evidence is not yet in, but on the precise point about the learning and skills councils and what they discover, it is important that what they discover to be positive should be handed down as quickly as possible to the sharp end of job centres, for example. It is easy for people in such schemes to discover things, but when, as my hon. Friend the Member for Amber Valley said, it is moved a little down the line, people may not know anything about it and may be ill equipped to deal with what may have been discovered in the individual and what that individual wants to do.

Maria Eagle: I do not disagree. Of course, there is always an issue about transmission mechanisms and learning. We have evidenced-based policy making, so we need to learn what works, take notice of the evidence and make sure that our mainstream programmes acknowledge and reflect the learning that has occurred. One of my jobs as a Minister responsible for equalities is to make sure we do that, where necessary, across a range of Departments. That is certainly one of the things on my list of roles.

Much reference has been made to flexible working and the importance that that can have in enabling women to access good quality opportunities. I think there has been an acknowledgement from all hon. Members in this Chamber that the Government have a good record in increasing flexibility. Since April 2003, we have been extending the right to request flexible working. It is now acknowledged to be a good thing that employees with disabled children under the age of six have the right to request flexible working. Flexible working has been used more than some thought it might be when the idea was proposed; in fact, many employers have dealt particularly positively with requests when they were made.

I think it was my hon. Friend the Member for Cardiff, North who said that there is a difference between the public and private sector in relation to flexible working. I am not quite sure who made the point about the public sector being an exemplar—

Glenda Jackson: Just point at them.

Maria Eagle: I can remember the constituencies; I just cannot remember who made the point. It may have been my hon. Friend the Member for Amber Valley who said that the public sector needs to be an exemplar—*[Interruption.]* It may also have been the hon. Member for Mid-Worcestershire who made the point. I do not wish to do anybody down. It is important that the public sector celebrates its success and is an exemplar. The public sector should show that it has made a difference and has the benefit of more staff commitment because it is a good and flexible employer, and it should say that to the private sector. One cannot tar the entire private sector with one brush, but elements of the private sector might be less convinced about the importance of flexibility and what it can bring to them. It is important to give examples and have cross-fertilisation of ideas and experience between sectors because it can make a real difference. Transparency is one of the aims of the new equality legislation that we are promoting and good cross-fertilisation between the public and private sector in terms of outcomes and improvements is an important part of going forward in all sectors, which is, of course, what we want to do in the end.

Peter Luff: I do not wish to be partisan, but I happen to have a Conservative document here that describes some good examples in the private sector where flexible working has improved retention and productivity and has encouraged women to come back to the work force after maternity leave. Good, flexible working has been proven to bring benefits to organisations, and case study after case study demonstrates that the private sector gains when it gets flexible working right.

Maria Eagle: Certainly my experience as the Minister for disabled people and my work in trying to carry the torch for the employment of disabled people showed that small firms are perhaps more able to deal with flexibility—someone just asks the owner and does not have to go through a huge human resources department. Small firms can be particularly good at arranging flexibility where it does not completely destroy the needs of the business—obviously no one wants that to happen. It is important that where there is good practice—in whatever sector—it is acknowledged and celebrated, and that the word is spread. We can all benefit from such examples.

My hon. Friend the Member for Cardiff, North made some points about the situation in Wales, why part-time work is undervalued and how important the right to request is. She made some of the points I have already dealt with about work placements, training and careers advice. It does not sound as if the situation in Wales is that different from the one in England; in fact, from what she said, it seems that there have been some of the same experiences.

My hon. Friend asked about black and minority ethnic women's opportunities and why they are particularly restricted. Certainly, our proposals in the equality Bill include the chance to engage in voluntary positive action, which is one way that that kind of inexplicable—or explicable only in terms of the concept of discrimination—distinction can be tackled. We are currently examining whether we should allow claims for multiple discrimination in the Bill, which might further highlight the issue of ethnic minority people being particularly discriminated against.

I shall say a bit about the equality legislation that we are planning. Certainly, since the report was produced by my hon. Friend the Member for Amber Valley, there have been some policy developments. When the evidence for the report was being considered, the discrimination law review was still ongoing. We have moved on a little bit since then, so I shall mention what our future plans are. We will try to make further progress through a combination of legislative and non-legislative measures, which I now know the Opposition will thoroughly approve of. We want to ensure that the gender pay gap does not take another 80 or so years to be closed. We know that if we do nothing more, we will still have that gap. The idea behind the forthcoming equality Bill is to simplify, modernise and strengthen the law so we can close the gender pay gap more swiftly than would happen under the measures already taken. Of course, it is good that the gap has closed to a degree, but we need to close it further.

It is important to simplify the disparate bits of legislation that have come on to the statute book over different time periods during the past 30 or 40 years. The hon. Member for Cotswold referred to the number of pieces of legislation that deal with employment rights, and we need to persuade business that equality legislation is not about burdens on business. I do not accept that rights at work equate or should be equated with red tape, regulation or burdens; such rights equate to enabling employees to do a good job. If one is to believe the weekend newspapers, there is a slight debate going on among the Conservative party about what its policy on that should be during these times. *The Observer* reported—*[Interruption.]* Was it wrong? *The Observer* reported that senior Tories were calling for a

"freeze on new employment rights, in a shift away"

from the previous attitude of the right hon. Member for Witney (Mr. Cameron) and his

"previous enthusiasm for measures like extra parental leave,".

The Observer went on to state that senior Tories were

"arguing that the priority was to save jobs by reducing business red tape."

If that is true—and perhaps the hon. Member for Cotswold will tell me whether it is—it is equating rights at work with burdens and red tape. The hon. Gentleman did not seem to do that in his remarks—although he made some reference to the amount of legislation that there has been. It would be interesting to know whether the report in *The Observer* is accurate.

Mr. Clifton-Brown: The Minister and the rest of the House will know that policy making in any Department and in any Opposition party is a dynamic process and so she will have to wait and see.

Maria Eagle: Of course I will wait and see, but until then I have to draw my own conclusions. I will wait with interest to see whether the hon. Gentleman's tendency or the other tendency wins out in the Conservative party.

Judy Mallaber: During the past year I have been on the Select Committee on Regulatory Reform, which is allowed to get rid of red tape without it having to go through other processes. Will the Minister accept this point? There is an issue about red tape and burdens on business, but it is a question of differentiating between what the right or policy is and how it is implemented. We should be seeking to get rid of the three pieces of paper where one would do. The same applies if the mechanism for implementing a policy is burdensome, particularly on, say, a small employer that does not have the people to do all the paperwork and so on. However, that is a different issue from a proper assessment of whether a policy or right is legitimate and helpful. We sometimes muddle the two together instead of being clear about what we are thinking.

Maria Eagle: Yes, my hon. Friend is right that there is a difference between how a policy is implemented and whether that is burdensome, and whether the policy itself is burdensome. It will be interesting to see what comes out of the discussion going on in the Conservative party. No doubt we will see in due course. Meanwhile, the hon. Member for Cotswold will be at least willing to support the Government when we introduce the equality Bill, because one thing that it will do is simplify and consolidate the law as it has developed over the years, which can only be good. If we put it all in one place, we will reduce the number of provisions, so I am sure that we will have widespread support in the House for that.

We will simplify, modernise and strengthen the law in certain ways. I have referred to one way in which we will strengthen the law, which is by allowing positive action. Where there is under-representation of disadvantaged groups in the work force or in senior positions, employers and service providers should have greater freedom to address that by taking it into account when deciding between equally qualified candidates. Again, I am sure that any sensible person thinking about that would see it as fairly uncontroversial, although it did seem to be controversial in certain newspapers and among certain Members of the House when it was announced, but we will see how that goes when the Bill is published. We will see what everyone's attitude is. I think that it will be a very good thing. It is one way in which some of the disproportionate outcomes in the work force overall that we have all been complaining about today can be tackled in the shorter term. That has to be good.

Mr. Clifton-Brown: I am grateful to the Minister; she has been generous in taking interventions. It would assist the House considerably if she could tell us when the Bill is likely to be published and when it is likely to be discussed by the House.

Maria Eagle: I cannot tell the hon. Gentleman precisely when that will be. I can tell him that progress on getting the Bill written is good, but he will understand the complication involved in the consolidation aspect.

Mr. Clifton-Brown: It is a dynamic process.

Maria Eagle: It is always a dynamic process. Trying to get this right is a very complicated process. It is important to get right the simplification and consolidation aspects of the Bill, but that is not easy. Parliamentary counsel is working extremely hard, and Ministers are ensuring that policy issues are dealt with. As I said, I cannot give the hon. Gentleman a precise answer, but I can tell him that we are progressing well and that the House will be the first to know when we get there.

Peter Luff: Is it the Government's view that there has been so much consultation that it will be just a straight Bill, not a draft Bill, or will there be a draft Bill process, too? This is a hugely complicated area. Some forms of "discrimination"—for example, allowing Saga to offer holidays to the over-50s and allowing Club 18-30 to offer holidays to young people—are not entirely disadvantageous. The way in which the Bill is framed in detail will make a great difference to its impact on a wide variety of groups. I am not sure: what will the process be in parliamentary terms?

Maria Eagle: We are not planning a draft Bill. There has been a lot of consultation on this issue, and we want to get on and do it. I acknowledge that there may be complications and difficulties—there always has been on every Bill that I have been involved with—but I am sure that we will find a way through. We want to get on with it.

The Government have listened carefully to the arguments made by the Select Committee and others that appropriate bodies should be able to bring representative actions on behalf of groups of individuals in discrimination cases. We need to co-ordinate action on that proposal in the light of work taking place across Government in respect of other courts and administrative tribunals. We will consider carefully the results of the work being undertaken by the Civil Justice Council, which is examining the issue in other contexts. It is assessing the case for representative actions, and we will take decisions in the light of that. We are certainly considering the issue seriously.

We have all been alluding to transparency, if not talking directly about it. My right hon. and learned Friend the Minister for Women and Equality explained to the Select Committee when giving evidence that we cannot tackle inequality if we cannot see it and how it is working in particular places. The Bill proposes to prohibit an employer from taking any action against any person who chooses to disclose their pay to a colleague, so we will get rid of secrecy clauses. In addition, we are proposing that, under the public sector equality duty, public authorities should publish important equality information about their work force, including the gender pay gap. That will aid transparency and enable us to shine a light into the dark corners where lights need to be shone. We will work with business and trade unions to encourage private sector employers also to be transparent about their progress on equality. There is no reason why they should not respond positively to that. As hon. Members have said, businesses increasingly recognise the advantages that can be gained from improving performance on equality so that they can attract and retain the best talent, so there is no reason why we should not be able to make progress on that.

We are exploring a range of other legislative and non-legislative options for furthering equality outcomes through the power of procurement. The Government spend £160 billion a year—that is the latest figure I saw—on procuring things. There is no reason why that should not be used to help to deal with some of the issues that we have been discussing. We are examining ways of doing that, and the Bill will take some steps in that regard.

A lot has been said about occupational segregation, and I ought to say something about that. It accounts for a significant proportion of the gender pay gap, but also constitutes a loss to the economy. That was identified by the women and work commission in its 2006 report, which estimated that removing barriers to women working in non-traditional areas and increasing women's labour market participation could be worth more than £15 billion to the economy. We would all acknowledge that that is something worth pursuing.

Following our work to implement the recommendations of the women and work commission, we are building on a number of the recommendations to tackle occupational segregation. For example, we announced this year that we were extending the women and work sector pathways initiative beyond the period covered by the recommendations in the original report. We have committed £5 million a year over the next three years to the initiative, which will mean that up to 15,000 women receive assistance that aims to help them to secure a new job, a more senior position or higher pay. That support is targeted in sectors and occupations where there are skills shortages or where women are under-represented. That type of targeted action can make a real difference by providing role models and giving real opportunities to women who perhaps have not had chances in the past because of occupational segregation. That should receive

[Maria Eagle]

widespread support from hon. Members on both sides of the House, and I am sure that it will.

We have now reconvened the women and work commission to assess the progress in implementing and building on the recommendations that it originally made. We look forward to seeing the result of its investigations next spring.

I shall finish by saying how valuable and how welcome the Select Committee's report has been and how much the Government welcome the ongoing debate on this issue. We hope to develop as much consensus as possible about the way to deal with the issues of gender inequality to ensure that, at last, we start to close the gender pay gap.

Question put and agreed to.

Adjourned accordingly at nine minutes past Five o'clock.